

Looted Art Treasures • Japan in Crisis • The Shrinking Loonie

CANADA'S

WEEKLY NEWSMAGAZINE

# Maclean's

JULY 27, 1998

## CIRQUE DU SUCCESS

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**Maclean's** CANADA'S WEEKLY NEWSMAGAZINE  
**This Week**

JULY 23 1998 VOL 311 NO 30

## Departments

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## LITTING

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**CANADA 12**  
A truce agreement with one B.C. native group  
angers other aboriginals after a two-year  
investigation, police butt a dozen  
resisted members.

Figure 1

Grief over the killing of three children casts Northern Ireland's sectarian crisis, Canada and Cambodia's election despite clear human rights abuses

## REFERENCES

As test strikes drag us in Flint, Mich., General Motors and the United Auto Workers are locked in a standoff that can have no winner.

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Upgrading systems is accommodated: the Jan. 1 introduction of the European currency, the euro, can be time-consuming and expensive.

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**HEALTH 46**  
While the Internet provides valuable medical information, its unregulated system also provides a huge list of errors and hoax stories.

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Steven Spielberg graphically depicts battlefield carnage in *Saving Private Ryan*

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But that's a lot more work, a recipe for loss on the value of the firm to the bank. That's why a single shareholder can't get the firm to invest in R&D. The firm will invest in R&D only if the benefits to the firm are greater than the costs. The firm will invest in R&D only if the benefits to the firm are greater than the costs. The firm will invest in R&D only if the benefits to the firm are greater than the costs.

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## Cover

## Cirque du Success

**36** The Montreal circus company has thrilled the world with its unique blend of exoticism and athleticism. And the visionary outlook of Cirque du Soleil's two owners is coupled with a pragmatic business sense. Now on three continents, the business of fantasy is burgeoning.

## Features



20 Japan in crisis

**Japanese like Rits**  
Teguchi was angry about  
their economy, and voters  
showed it last week. The  
election results unsettled  
world markets—and  
the Canadian dollar.

22  
The shrinking  
loonie

The loonie is the Rodney Dangerfield of the international currency world—it gets no respect, even though the Canadian economy is performing well.



**48**  
SPECIAL REPORT  
**On the trail  
of looted art**

As controversy jingles the treasures plundered by the Nazis, curator Catherine Johnson says the National Gallery collection is well

# From The Editor

## New blood for a worthy cause



**A**s a longtime hospital CEO, Lynne Craxton is instantly familiar with the tragedies visited on those worried individuals by Canada's tainted blood scandal. But as the newly appointed head of the Canadian Blood Services, which will replace the Red Cross in English Canada on Sept. 1, there is no losing touch.

"It's a truly sad situation that occurred," Craxton noted by way of a warning meeting with the Ministry's Board of Directors. "Unfortunately, CBS has to go forward from here. Our goal is to provide a very safe and secure blood system." And for once, there will be no doubt about whose head will roll if there is a repeat of the blood crisis—Lynne Craxton's. CBS is, at her words, "the only one agency that is accountable for the safety of the blood supply."

Craxton, infected by tainted blood with HIV or hepatitis C will be among those keeping an especially skeptical eye on the new organization. Many of the senior people, including about 3,000 Red Cross staff members, will form the backbone of the new agency. CBS also absorbs equipment and facilities from the Red Cross—some of which, like the computer systems, are in urgent need of updating.

Craxton, former head of the Children's and Women's Health Centre of British Columbia and The Richmond Hospital, is well aware of the skepticism. She pledges to run "an organization that is accountable, transparent and open." As a measure of how steep the previous system was, CBS is holding out an revolutionary plan to hold open board meetings and to circulate its agendas for public comment. The organization also has a three-year business plan, with contingency funding, to be used in the event of a crisis. The notorious Canadian Blood Agency will be reformed.



Craxton replacing the Red Cross

into CBS, and the Bureau of Biologics, Health Canada's regulatory arm, has been raised in. In fact, Craxton views that no blood or blood products will be imported if they have been collected from U.S. federal prisons—a cruel lapse allowed by the bureau in the early 1980s. "We would not take blood from those sources," she says.

Craxton also knows she faces an uphill battle to convince Canadians that the blood system is safe—and that it is safe to give blood. "When you donate blood," she insists, "you're saving lives of other Canadians. Donating blood is not a risky venture." As for the safety of the supply, she notes that every unit of blood is tested for agents and viruses and all donors are screened even when they are regulars. It is also possible for people facing surgery to stockpile their own blood, and for family and friends to do the same for children undergoing surgery.

Craxton is going to have to deal with a kind of sovereignty association in the blood supply system. Héma Québec will replace the Red Cross in Quebec and operate independently—although each organization will delegate someone to sit on the other's board. Quebecers, historically, have been anti-importers of blood. Without any Craxton says, "Certainly if they need blood we'll see that they get it. We are all Canadians."

As for her own heavy responsibility for the new blood system in English Canada, Craxton knows no doubt. "It would be very difficult to take being anybody when there isn't anyone to take behind." A good start.

Robert Lewis

## Newsroom Notes:

### An exotic hybrid

Quebec's Cirque du Soleil, which has grown from a street troupe to a corporation spread over three continents, has forged a unique marriage between art and commerce—one that has not lost sight of the romance. For this week's cover story on the Cirque, edited by Diane Turbide, Senior Writer Brian D. Johnson visited the company's Montreal headquarters and its permanent show in Las Vegas.



Johnson (left), Johnson a marriage of art and commerce

Now He discovered that many punters who write about the Cirque have to be told, like children, that, no, they cannot take a swing on the trapeze, go bungee flying or bounce on the trampoline. In Las Vegas, Johnson climbed to the precarious perch above the steps where the Cirque's high-bar acrobats take off, but said he had no desire to jump. At the Montreal rehearsal gym, however, Cirque officials persuaded him to take a flying leap into a safety pit (full of 20,000 foam cubes). "The hard part," he recalls, "was trying to 'breathe' back out again." Johnson says that he found the enthusiasm at Cirque du Soleil contagious. "You hang around with these people and after a while you just want to say, 'How do I join?'" In his case, that's an option.

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**AUGUST 7**



Boyle: the Forces represent a Canadian cross-section

## Distorted portrait

I have mixed feelings about the article "Abuse of power" (Cover, July 13). While I agree with Chief Warrant Officer Everett Boyle that there was a definite lack of proper procedures for the Dyne Seward case, I believe that you have painted an unfair portrait of the Canadian Forces as a whole. I am a law-enforcing member of the Forces, but I must say that the cases that you portray are extreme. These things happen all over the world. I certainly do not advocate such behavior by anyone, but you have to remember that the Forces represent a cross-section of Canadian society, and the actions of a few do not speak for the many. Most Forces personnel want to go to work, do a good job, come home and have the family, worried that what they do brings people into this country. I agree that dirty laundry must be cleaned, but be fair to your cover age. Talk to the enlisted personnel and find out how they feel about these issues.

Robert Nelson  
Victoria

## LETTERS TO THE EDITOR

should be sent to:  
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E-mail: letters@macleans.ca

Maclean's welcomes readers' letters, but letters may be edited for space and clarity. Please supply name, address and daytime telephone number. Subscribers may appear in Maclean's electronic mail.

Twenty-nine years ago, Robert Skeritt wrote a book called *Military Justice is a Myth*. In it, Skeritt states that those in the service must be willing to give up their lives and their liberties. Accordingly, our military elite needs to acquiesce to public pressure and get on with significant change. Military justice has no choice but to adapt to the new reality—and immediately.

Paul Johnson,  
Thunder Bay, Ont.

Not long ago, I heard a retired senior army officer say "It's lady wants to marry an officer and a gentleman now, she has to consent to his army." A former soldier, I thought, he was wrong. Completely wrong. I thought, officers always lack that soldier's guts. Indeed, they lack the articles in recent issues of *Maclean's* are true, our military is in big trouble. It's time to clean house, but this time it must be done from top to bottom, not bottom up.

Alan Morgan,  
Niagara, B.C.

The attempted coverage of sexual assaults by senior officers at the Canadian Forces is not an aberration, it is standard operating procedure. While attending Canadian Forces Staff School, I learned about LITAC (lying to avoid responsibility), a technique practiced by many senior officers, and a very effective one when perpetrators are not subject to any outside political process.

P. B. Woodard,  
Windsor

## Attack rings hollow

In reference to Peter C. Newman's comments on R.C. Irving's alleged dishonesty ("How could R.C. Irving make the list?") The *Nation's* *Business*, July 10, may lead our readers that the same Irving, a Protestant, donated in 1980 to the French-speaking Catholic parish of Beauport, N.B., his home town, a majestic swaying pedestal of five bronze bells weighing over 7,000 kg and imported from Europe. At today's market prices, bells of this size and quality, imported and installed in a bell tower are worth some \$200,000. This was no small donation.

Michael Brown  
New-Normandie, Que.

## Eroded support

Your article on the Canada Child Tax Benefit did not mention who pays for the increase for the 10 per cent of children labelled working poor ("Helping children," *Canada*, July 6). This increase, for a few, is funded by all other children, including those on welfare, whose support continues to be eroded by inflation. They have seen no increase since 1992. The lack of adjustment for inflation justified MPs voting themselves pay increases. This just after the government voted against a private member's bill to index the tax benefit so inflation does not erode its value.

Richard Shillington,  
Researcher, Campaign 2000,  
Mississauga, Ont.

My town has been the beneficiary of K.C. Irving's generosity: our local area had artificial ice in the 1980s, a luxury in our region that would otherwise not have been possible at the time, a large church, with solid oak pews, beautiful woodwork and church bells that don't have the living steeple but were brought and paid for by the same. His generosity is now confused by his property, resulting in an albatross in ecotourism that makes our town and region the envy of other communities nearby. Our recently acquired marina, ecotour, arboretum and natural park were heavily subsidized by the Irving family. As Sir Newman's statement that "nobility in the region remembers my largeness," I beg to differ.

Rosell J. A. Fontaine,  
Bridgewater, N.S.

## Historical oversights

In *The 100 Most Important Canadians in History*, Walter Stewart wrote at the United Empire Loyalists "Their gift to themselves was the nation itself." With that in mind, I was disappointed to see that the Loyalists were completely absent as your list of "The 100 Most Important Canadians in History" (Cover, July 13). Only Laura Secord was referred to as a Loyalist, but she is remembered for her War of 1812 service, not for the initial Loyalist settlement, which did not involve her. That the vast group of people was shut out of the list is sadly too typical of the Canadian approach to history.

Peter W. Johnson,  
Toronto

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# Required Reading

for planning a university education



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WHAT MATTERS TO CANADIANS







## Editorial Update

### Writers in Residence @

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Searching for some stimulating conversation? Maclean's—in partnership with Writers in Residence—now offers people an opportunity to discuss current literary or news events and issues with a diverse lineup of Canada's leading writers via its website [www.macleans.ca](http://www.macleans.ca). Each month a different writer hosts Maclean's discussion literary salon, posting new pieces for discussion each week. Throughout July share thoughts with internationally-acclaimed science fiction novelist Robert J. Sawyer, and in August compare notes with noted crime novelist Howard Engel.



### Canada at War

For nearly a century Maclean's has published some of the finest writing in our language. In our new book *Canada at War* we are bringing the honors and triumphs of the printed page *Canada at War* to a wide variety of readers.

acclaimed collection of previously published Maclean's articles that highlight personal experiences from the First and Second World Wars through to Canadian peacekeeping efforts in Cyprus, Somalia and the former Yugoslavia. Published by Penguin Books Canada, *Canada at War* is now available in stores everywhere.

## Newstand Notes



### Web Site News

Maclean's on the World Wide Web shines up a variety of stories from the current week at our address: <http://www.macleans.ca>

### Our Internet edition also offers:

- **Maclean's Weekly Selections**—Information and editorial highlights first look to the week's top stories selected by Thomas Canavan and Maclean's.
- **Maclean's Keynote**—A selection of previous stories, separated to help readers follow current events.
- **Elaborate Rankings**—Our annual list of celebrities plus a directory with links to university Web sites.
- **Maclean's Forum**—A place to speak out on issues of the day.

### The Maclean's Guide to Canadian Universities 1998

Not just a guide but a comprehensive, current profile of the nation's leading post-secondary institutions. Maclean's provides information on individual faculties and on key representatives. In addition to Maclean's extensive review ratings, there is valuable advice on admission standards and a complete directory by Canadian university colleges. For those considering a legal career, a 23-page survey of the country's common-law schools is included. This list of universities of the world is a must-read for students. Maclean's editorial team presents a new 30-page page report on graduate scholarship at 100 top schools and lists programs for students.

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# Opening NOTES

Edited by  
TAMARA  
DANIELS

## Gift boxes for getting even

Angry at an ex-spouse? Have no use to give? Don't get mad, get even—by mailing Get a Life Flowers Inc. The Toronto-based company offers unique gift-a-days direct to a box of duds day—first deliver a decidedly amiable message. And so it is to prove that hell hath no fury like a spouse scorned, the company's phone has barely stopped ringing since *Dawson* inspiration profiled owners Orville Brown, 51, and Cheryl Maxwell, 50.

The former costume-maker (they divorced their husbands, who were brothers) set up shop last December. As part of their research, they contacted the Ontario ministry of health and post office bureaucrats to ask about regulations for handling sensitive droppings as gifts. "They all laughed at us," says Brown, who adds that nobody could see their ex-spouses in it hadn't been done before. Rather than risk using the real thing, the pair created lifelike substitutes. "We call it our secret recipe. It has all the same qualities except for the smell."



Maxwell (left) and Brown: sending unsavory messages

Last week, a man sent the gift to his ex-wife, who had recently announced his new wife. "We say that we have to run fast from the recipient," jokes Brown. "But, most people laugh and then now to get even."



Launer in 1949: a sex and an internet

## A cyber legend

The story of how actress Judy Launer became the pioneer of wireless communications—opening the door to the Internet—sounds like a joke. And Wi-LAN, a Calgary-based communications company, recruited a marketing opportunity. Moved to an area of the Internet in 1993, Launer was exposed to satellite technology. After the marriage ended, she moved to Hollywood and became a star. Later, at age 36, she invented an anti-jamming radio device specific to submarines, which was patented in 1982. After the war, Launer focused on her film career, and in the patent office in 1998.

Enter Brian Hightower, the CEO of Wi-LAN, who was shocked to discover that his screen idol had invented special spectrum technology. He approached the Montreal-based Launer—now 44 and with few savings—hoping to work out a deal. Launer agreed to allow Wi-LAN the use of her name and image for marketing the company's wireless data products. In return, she acquired a one-per-cent stake in the \$30-million company. Two decades up



By the time she recorded her last album at age 31, Launer Kowalsky had already spent half her life in the music business. "My parents told me that I was born singing," says Launer, now 40 and living in the Laurentians north of Montreal. As a teenager, she sang folk songs in a Montreal Canadian community. In 1964, five years after leaving the rock group that bears her first name, Launer released her debut album, *Secrets and Lies*, which sold 50,000 copies and earned Launer her first gold single with *Let It Go*. (The song was also on the sound track for the film *9½ Weeks*.) The album's success helped fund Launer's 1980 *Juno Award* for best female vocalist—an honor she won three years in a row.

She hasn't made a new recording since the 1989 release of *All or Nothing*. "By the time we were finished with the record, I felt a little spent, never really having a life of my own," says Launer. "As much as I loved music, it became everything." Launer also took a decade off from her marriage to Peter Murawski, a drummer in the band, left intact. Within a year, the band broke up and her grandmother died. Then, in 1994, Launer's mother died of cancer. "It was proved that I wasn't on the road, and there to spend the time with her," says Launer, who characterized some of her prior life writing songs. Songs that may be as old as the Internet to be left out of her past. "I've been waiting for the right situation," explains Launer, who lives in a chalet-style home with her two dogs, Rusty and Miki. She wears an album with a distinctive sound. "It's rare these days to hear something that really jumps out at you. I'd like to stand out from the crowd and do something that's new."

## BEST-SELLERS

### FICTION

- 1 *A Woman in the Ice*, John Grisham (1)
- 2 *Prey at Night*, Patricia Cornwell (1)
- 3 *I Love This World in Time*, *My Love* (2)
- 4 *The Girl on the Train*, *My Love* (3)
- 5 *The Girl on the Train*, *My Love* (4)
- 6 *The Girl on the Train*, *My Love* (5)
- 7 *The Girl on the Train*, *My Love* (6)
- 8 *The Girl on the Train*, *My Love* (7)
- 9 *The Girl on the Train*, *My Love* (8)
- 10 *The Girl on the Train*, *My Love* (9)
- 11 *The Girl on the Train*, *My Love* (10)
- 12 *The Girl on the Train*, *My Love* (11)
- 13 *The Girl on the Train*, *My Love* (12)
- 14 *The Girl on the Train*, *My Love* (13)
- 15 *The Girl on the Train*, *My Love* (14)

### NONFICTION

- 1 *The Millionaire Next Door*, Thomas J. Stanley and William D. Danko (1)
- 2 *Who Killed Donald Trump?*, Jack Greenberg (1)
- 3 *Spies in the Sky*, *My Love* (2)
- 4 *The Girl on the Train*, *My Love* (3)
- 5 *The Girl on the Train*, *My Love* (4)
- 6 *The Girl on the Train*, *My Love* (5)
- 7 *The Girl on the Train*, *My Love* (6)
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- 13 *The Girl on the Train*, *My Love* (12)
- 14 *The Girl on the Train*, *My Love* (13)
- 15 *The Girl on the Train*, *My Love* (14)

Source: Nielsen BookScan

Compiled by Bruce Anderson

## In the wake of a sailing pioneer

Historian writer Ann Spencer chronicles the life of a Canadian granted a bar in *Alone at Sea: The Adventures of Joshua Slocum* (Doubleday). In 1890, Slocum became the first person to sail solo around the world. Spencer received his efforts as to his disappearance in 1908 while sailing to the West Indies.



# Passages

**DIED:** Longtime Speaker of the House of Commons, and former ambassador to Belgium and Luxembourg and to Portugal, Lucien Lamoureux, 77, of pancreatic cancer at his home in Waterloo, Belgium. First elected as a Liberal in 1952, he served as Speaker from 1966 to 1974, winning re-election twice during that time as an independent.

**MARRIED:** South African President Nelson Mandela and his companion, Graça Machel, 52, on his 80th birthday. After days of rumors and drama that they would marry, spouses confirmed that Mandela exchanged vows with Machel, widow of Mozambique President Sam Nino, in a private ceremony attended by family and political colleagues at his suburban Johannesburg residence.

**DIED:** Co-founder of McDonald's, Richard McDonald, 89, in Manchester, N.H. McDonald, along with his brother, Maurice, pioneered a revolutionary drive-in restaurant in California. In 1965, they sold the franchise rights to salesman Ray Kroc, who built the worldwide McDonald's chain.

**DIED:** Financial guru Charles J. Givens, 57, of cancer in Ontario. Givens built a multi-million-dollar empire in 1968 from how-to-rich books and seminars. He was often accused of compromising the success of his money strategies.

**DIED:** Nguyen Ngoc Loan, 57, the former South Vietnamese general who was photographed executing a bound Viet Cong prisoner with a pistol shot to the back of the head in Washington. Loan moved to the United States in 1975 after he fled Vietnam.

**ACCEPTED:** An apology from Toronto police Chief David Boothby by a rape victim known only as Jane Doe. She was awarded \$220,000 by a judge who agreed that city police failed to adequately warn women about a serial rapist in 1986.

**RECOVERING:** Detroit Red Wings coach Scotty Bowman, 54, after angina pectoris to clear an artery, in Royal Oak, Mich. Bowman says his decision to begin the two-time defending Stanley Cup champions hinges on his recovery.

## CAPITAL CONFIDENTIAL

Last week, Hugh Segal became the first in the field to officially file as a candidate for the Oct. 24 Progressive Conservative leadership vote. This week, Joe Clark, ex-

posed convention finalist, the 360 federal members will each cast 100 votes—meaning candidates will find their efforts best spent by concentrating on small ridings or those with relatively few voters. The 100 votes will be allocated by the candidate's support in the riding (for example, if a candidate sold

400 party memberships in a riding with 1,000 members—or 40 per cent of the total—his party could expect 40 of the 100 votes.) If no candidate receives more than 50 per cent of the total national vote on Oct. 24, a runoff will be held on Nov. 14, with time used as a proportional ballot.

If no candidate secures a clear majority, the federal contest will be dropped and the votes distributed according to his supporters' second preference. This process will continue until someone emerges with a majority. That, at least, is the theory. "The process is quite clear," Reid notes. But for many Tories, it is clear as mud.



Clark: voting matter that he's

## EMPORIUM

A woman's risk of dying during pregnancy and childbirth in various regions.

North America: 1 in 4,000  
North America: 1 in 3,700  
Latin America/Caribbean: 1 in 130  
Asia: 1 in 55; Africa: 1 in 16

Source: Inter Agency Group for Safe Motherhood

Percentage of out-of-workload firms, according to Statistics Canada  
Quebec: 53  
Rest of Canada: 24

## GOLDFARB POLL

Roughly one-third of Canadians reject the notion of a government ban on the sponsorship of sporting events by tobacco companies, brewers and distillers. An additional one-third are indifferent to the idea. (Percentage of 1,400 adults polled)

	Welcome	Reject	Indifferent
Banning sponsorship by distillers and brewers	15	52	32
By tobacco companies	23	45	31

Source: Goldfarb Research, 1998

Goldfarb Research Inc. 1-800-363-3636



# History in the making

BY CHRIS WOOD

Almost 111 years after a group of northwestern B.C. natives first asked Ottawa and Victoria for a treaty confirming their title to hundreds of square kilometres of the remote and lovely Nass River valley, their descendants are finally on the verge of satisfaction. Negotiations lasting for 5,000 years had the federal and provincial governments last week shook hands on a draft treaty that would confirm the band's right to a measure of self-government and nearly 2,800 square kilometres of land, while paying the Naga's \$190 million in court costs for the release of the rest of their traditional territory. Band spokesmen welcomed the agreement as nothing but a historic wrong: "Many of our elders died fighting for our land," said chief tribal negotiator Joe Campbell after the agreement. "I'm happy some of our elders could be here today."

Officials of both the federal and provincial governments, meanwhile, looked last week's tentative settlement. It would, they said, pave the way for similar deals with other natives, most of whom never signed treaties with the Crown and whose coalbed land claims actually covered the vast areas of British Columbia. But after celebration on that score was clearly premature. Far from bringing new momentum to the bogged-down negotiations with more than 50 other native groups in British Columbia, the draft deal with the Naga's does intense hostility from other aboriginals and from the province's political opposition, albeit for entirely different reasons.

For the Naga's, though, it was a victory—albeit long. Their leaders first travelled to Victoria in 1880 to plead for a treaty giving them



Naga's territory unveiled. Clark (left) with Campbell (right). Many of our elders died fighting for our land.

assured access to land they had occupied for millennia. But British Columbia's premier at the time, William Smeath, rejected their plea with the caustic observation: "When whites first came among you, you were little better than wild beasts." It was not until a mid-1970s series of court decisions favouring aboriginal rights that Ottawa agreed to enter treaty talks with the band. It took more than a decade for the province to agree to the negotiations. An agreement in principle reached in 1996 has taken another two years to sail down to land form. Now, in addition to land and cash, the draft treaty would see the Naga's—only about 100 of whom will live on their ancestral lands 800 km north of Vancouver—give up its townsite status and receive self-government over culture and many social areas.

Once finalized, the treaty must be ratified first by the Naga's in a referendum, then by Parliament and the B.C. legislature. But that process promises to be stormy. The opposition Liberals, who have promised to vote against the deal in the B.C. legislature, charge that

it will grant powers to the Naga's that, in some areas, will exceed those of either the federal or provincial governments. And, indeed, part of Section 27 of the draft agreement—based on a government White Paper—reads: "In the event of an inconsistency between Naga's laws and federal and provincial laws of general application, Naga's laws will prevail." (The section applies to only a handful of areas, including Naga's culture and language.) As well, the Liberals say, the agreement will restrict voting rights to an native territory to people of Naga's descent. "It's clearly a racist argument," declares leader Gordon Campbell. "You're saying some people have rights that other people don't have, because of race. I don't see what else you call that."

It critics like Campbell oppose the Naga's deal for giving natives too much, other aboriginal groups object that it gives too little. Their position, moreover, has hardened since a landmark decision last December by the Supreme Court of Canada. That ruling, in a case brought by the Gitksan and Wet'suwet'en hereditary chiefs (including the head of the Delgamuoch chief, whose traditional territory adjoins the Naga's), confirmed the existence in principle of aboriginal

"Said our informed consent is obtained." The summit also asserted that "the provincial government has no jurisdiction over First Nations."

It is hardly a view with which the governments can be expected to agree—and they do not. While Dale Lewis, aboriginal affairs minister in Premier Glen Clark's provincial government, concedes that some groups have a right, confirmed by the Supreme Court, to be consulted on a wide range of land-use decisions affecting their former traditional territories, he flatly denies the notion that aboriginal title supersedes that of governments. "The provincial Crown," Lewis says, "is still asserting its right to manage the land of this province. We're not simply going to roll over."

Caught in the middle are landfills, if not thousands, of non-aboriginal corporations and individuals. They rely on Crown land use permits granted by the province to conduct businesses ranging from dairy ranches to coal mines. But in the wake of the Delgamuoch decision, B.C. natives have gone on the offensive.

• In February, the Telkwa National Government told the local district forest manager that tree-cutting permits approved by the province were "no longer legally valid" and warned, without elaboration, that "you and your staff who continue with business as usual" are procedural and professional and private work."

• In June, the Skeena Indian band gave resource consultants operating along the B.C. coast west of Vancouver 30 days to begin paying all mineral and salvage license fees either to a trust or to the courts, pending a determination of aboriginal title. The deadline expires this week, so far no companies have complied.

• Yet another band has asserted the right to block proposed developments on their traditional territories, including a highway in the Skeena Valley, an oil pipeline underlain near Port Alberni on Vancouver Island, a dam expansion in the Kootenays, and the sale of an airport in the Vancouver suburbs of Port Moody.

Such challenges, together with the lack of perceptible progress in the B.C. Treaty Commission negotiations, have led to more alarm among resource companies. "We're not at the table with the Naga's," says Gary Leston, president and CEO of the Mining Association of British Columbia, whose 40 member companies represent most of the province's mining industry. "It is a very widely shared by forest industry operators, logging says: 'We don't know who the landlord is—we're pleading with government to get on this and settle this issue.'"

The same problem has bedeviled the negotiations as well. Even before the Delgamuoch decision, the B.C. Treaty Commission publicly warned Ottawa and Victoria that without more deals, more negotiations and clearer mandates, treaty talks could easily drag on for decades. Conflicts among native groups themselves, meanwhile, present further obstacles, with many alleged traditional territories overlapping each other in one case, or fewer than three different bands claim the same tract of Vancouver that is a historic site of both the Naga's and the Gitksan. The latter, says the Vancouver Museum, Place Names and Maritime Museum are located.

Faced with pressure from all sides, the three parties to the B.C. Treaty Commission are meeting this week to review the process for negotiations. The most likely formula would see land and resource transfers move to the top of the agenda—among bands a national state in reaching early agreements—while leaving for later such touchy legal questions as the definition of self-government. Optimistic as well, John Wilson, regional director of the federal Indian affairs department, says that an unbroken treaty process could be operating as early as the fall. "People now realize," says Wilson, "that there is a compelling economic imperative to getting treaties." Perhaps, that they remain far apart on almost every other basic of contention. And with the Naga's pact certain to become the test case for every opening move, the people of the Nass may be forced to wait a little longer still before they can truly celebrate their long-awaited treaty. □

title to traditional territories. In a decision penned by Chief Justice Antonio Laane, the court also ruled that while aboriginal title does exist, specific claims remain to be proven in a "heavier burden" than that qualification, has largely been lost in the debate with most native leaders insisting that the court simply confirmed their outright ownership of most of British Columbia's land mass.

Typical in the view of the fiercely independent Telkwa's, who occupy 60,000 square kilometres of rugged territory north of the mainland, the court's ruling is "a major step forward," says the Telkwa's chief, "but it is not a final step." Waiter said more. According to tribal court records, the Delgamuoch decision followed the First Nations' historical view that "we have sovereignty over our territory, with all that that entails: this ownership of the land and the resources." Significantly, the Telkwa's of the 5,000 members—whose far-reaching lawsuit a short war against white ranchers lost in 1884—style their tribal authority as the "Telkwa's National Government," and insist a holistic vision ought to enter the federal and provincial governments.

That is not far off the official position of the 31 native groups who, since 1980, have been negotiating with Ottawa and Victoria in settlement talks choreographed by the B.C. Treaty Commission. In a January response to the court ruling, the First Nations Summit, which represents the participating native groups, declared "Aboriginal title is a legal and proprietary interest in land. We assert our aboriginal title to all of B.C." The summit demanded that governments seek out every group claiming third parties any rights over provincial resources, including land-use planning and zoning between on Crown land,

# Uprooting the mob

Police break up a major drug-smuggling ring

At 4 a.m. last Wednesday, Mariana Iannacchino's wiper broke, and when she tried to go to the hospital three hours later, she nearly had the baby on her doorstep. Outside, the security of her cold-war of amateur forces and misinformed lawyers in Woodbridge, Ont., had been broken by night police who had shored up to arrest Alvaro Carruso, reputed to be one of Canada's most powerful mobsters. "She screamed," she called out to her mother, worrying whether she'd be able to get through the road block at the end of their street like dad, and delivered a healthy boy six days later. Bewildered residents of the bedroom community northwest of Toronto had already begun to distrust the road block. And when he learned what was happening, Mike De Piro, a local business-



Carruso: the alleged head of an international operation

man, still he was happy the arrest could mean safe streets for his children. "You work hard to afford to bring your family up here to a clean area, and look what happens," he said. "You only think it's clean."

Carruso was only one of 12 people arrested and charged with drug trafficking in last Wednesday's police operation—crimes punning not only Canada but Mexico and the United States as well. With the majority of the arrests—eight—were in Toronto and Montreal. And of these, Carruso's was the most pivotal. Police say he oversaw an organization in Sicily that organizes that two drugs and laundered money for other mob families. The arrests, triggered by the May 16 discovery of 300 kg of cocaine recently consigned by drug cartels in Texas, are being hailed as the biggest organized-crime bust in Canadian history. And they cap a two-year international investigation that was nearly stopped in January for lack of funds.

That, in fact, partly explains last week's well-orchestrated media coverage of the arrests. RCMP Insp Ben Soave, who oversees the Canadian Forces Special Enforcement Unit that coordinated the investigation, acknowledges the need to counter the public and politicians' fear such lengthy and costly investigations are worthwhile. In fact, several well-placed leaks to the media ensured quickly coverage of the operation. A

major news conference, clearly planned well in advance, featured money flow and drug flow maps as well as officials of some of the other police forces involved, including the Italian Carabinieri and American Federal Bureau of Investigation. Soave tried to simplify his complex investigation into a catchy sound bite, calling Carruso the "Wagner Gatsby" of mobsters.

In an interview with *Maclean's*, Soave said that taking an organized crime is like finding a needle—in an arena of pulling apart by its roots, moving the lines. "It will still look measured," he adds, "but you will get a much more detailed as long as the roots are still there. Before you know it, your whole line is infected and it has spread to your neighbor's lawn." Organized crime, he adds, has been involved in 20 murders in southern Ontario alone over the past five years. Besides, criminals regularly corrupt public officials—and youth. In Toronto, Soave says, the Russian mob is recruiting teenagers as young as 13. "The public never looks at that," says Soave, who has been in police work for 28 years. "Then again, do they stop to think when they buy a package of smuggled cigarettes they are supporting an organized crime group? It's very difficult to overcome, it's a cycle."

Neither, for the longest time, was the operation headed by Carruso. Police claim it has been active in Canada for 30 years, for the most part unimpeded by law enforcement agencies. Not only could it count as the Mafia code of silence, known as *omertà*, to keep its operations quiet, but it was also Toronto-based organized-crime expert Antonio Nucera calls a "biological" mob family: two Sicilian clans, the Carrusos and the Cetrans, connected by intermarriages to the point that anyone breaking ranks would have to betray a relative. As well, the organization was so international—it operated in Thailand, India, Europe, the Caribbean and North and South America—and had such a complex network of bank accounts that any investigation would have to be long-term and involve huge travel and surveillance costs.

Soave says that, over the years, such investigations have collapsed or never got started due to lack of funding. Last week, on his own investigation, which relied on cooperation and resources from more than 28 police agencies around the world, also lived that possibility, with costs running into the millions and funds running out. In the end, the unit received funding—Soave would only describe it as a "mile-high" sum—from the Criminal Investigation Service of Ontario, a provincial government agency to complete its task. But the work Soave admits will never be complete. If the arrested members of a family are successfully prosecuted, new leaders are likely to take their places. In Soave's metaphor, the foundations will be back.



Bruce Wallace

# Retooling a deficit hawk

Short of real news to fuel the Ottawa police phase of handcuffing careers, the summer fall forces politicians and pundits to stretch their imaginations. Only desperation for new material can explain *The Globe and Mail* releasing a poll in the dead of July purporting to show that 58 per cent of Canadians want John Diefenderfer as mayor down to their necks. Most naming Canadians probably missed the *Globe's* shocker, drowned out as it was by the beating of cicadas. Even the poll's respondents—a majority of whom said Chretien was doing a good job, by the way—must have wondered at being asked whether a prime minister who was a majority government a mere year ago should be preparing his exit. But

if there's any news to be had, it's that the Liberal Times are this time for junkies. Frustrated by Chretien's Blackstonian grip on power, they are sustained by little more than fevered dreams of a turnover in the top job. That also explains why Paul Martin's name has recently been in such speculation as the Canadian dollar. In June, rumors of a cabinet shuffle had Martin departing Finance for a top personnel or industry ministry. This month's shift has someone had him off to Environment, a silly notion that lasted only long enough to give Environment Canada demoralized officials a few happy hours of false hope.

The retooling he laid these games of fortune politics was the theory that Martin needs to take the conservative edge off his image as a budget slayer in order to stave off future leadership challenges from the Liberal left. This school argues Martin needs to be in a job where he can do traditional Liberal things, like hand out public money or give speeches in praise of Canada's natural resources. He would want to give up control of the purse to become just another minister peddling for funds is surely undesirable. It is always better to be handing out money than begging for it. Besides, Martin leaves five years in Finance makes it far too late to change his main responsibility.

But proving he is more than just a deficit hawk might not be as difficult as it appears

Much of the now-expected budget surplus is going to be funnelled back into health care, either through boosting transfers to the provinces; down the road, in a new federally funded program like home care (which expensive cost estimates have killed pharmacare); his sister program in the last Liberal platform. Martin can surely find a way to take credit for doing more to help the middle class. Most naming Canadians can similarly give him credit as a friend of the environment.

But the proposed bank mergers will be Martin's biggest test. He has lost the impression of being angry at the high-handed way the bankers anguished hantecasting their deal down to privateers who were at the mercy of John Cleburn's union, although

he begrudgingly acknowledges that the Royal Bank chairman, Sir Gordon Eastern, Toronto's neighbor, remains a friend. But rather than conceding Martin, the banks have handed him an extraordinary opportunity. With their own image in tatters and getting worse, the bankers are in a very shape to fight any conditions Martin chooses to impose on their terms.

And his left is already pretty clear: no clear-cutting of jobs, reductions in severance fees, some fee exemptions for seniors, and an enforceable commitment to more small-business lending. Mergers under these terms would allow Martin to show that he is more than a cash-bloated global capitalist masquerading as a politician.

Not that his fall agenda looks to be all sweetness and light. The swelling employment insurance fund means Martin faces demands to slash payroll deductions, even though the cuts offer for less political pop than income tax cuts would. He is looking for ways to back off the controversial Section 56 with without appearing cowed by the aggressive lobby which opposed it. And a collapsing dollar might still shatter the government's strangely sanguine mood, forcing interest rates up, slowing the economy, and ending the surplus in before it really begins. But one thing seems likely: if Paul Martin is going to re-tinker his public image, he will be doing it from right where he is.

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## Canada NOTES

### FLEEING THE FLAMES

Dose-dry conditions resulting from little or no rain since April have kept forest fires burning in many provinces. Hardest hit have been northern areas of Manitoba and Ontario, where the blazes have forced the evacuation of more than 1,000 people from their homes. Among them were 120 residents—mostly elderly, sick and children—of Lansdowne House, 400 km north of Thunder Bay, Ont., who were taken to student residences at Thunder Bay's Lakehead University until the situation improves.

### CREE SUE OVER LOGGING

The Cree of northern Quebec launched a \$600-million lawsuit against the provincial and federal governments and 28 logging companies. The suit alleges that the governments have violated a 1975 land-use agreement—reached to permit the James Bay hydro development—by allowing the forestry companies to clear-cut huge swaths of Cree land without permission or compensation. The Cree have also requested a temporary injunction on all logging on their traditional lands.

### CHILD ABDUCTION ARREST

In Calgary, RCMP officers charged Hughes McHale with kidnapping in the case of four-year-old Greta Griffin, seized from her family's front yard in Brooks, Alta., on July 12. At 30, the recent nursing, Ohio, who had been freed unharmed by her abductor, walked up to a nearby rural home and asked the residents there to call her mother. She carried a note from the kidnapper apologizing for her actions.

### NURSE GIVEN RAIL

Gita Poudras, 34, the Toronto nurse charged with murdering two-day-old Makenna Dehmed on June 12, was granted bail after nine days in custody in an unusual ruling. Judge Marie Gauthier of the Ontario Circuit court division imposed a publication ban on the terms of Poudras's release.

### PLUGGING A LEAK

The B.C. government pledged \$75 million in loans to people who bought condominiums in the Vancouver area that began to leak because of shoddy construction. The government also said it intends to make building warranties on new homes mandatory.



Barr: issuing a toughly worded challenge to "blags and brags"

## Warning from the top

In an open letter to the Canadian Forces published on July 14 by *The Maple Leaf*, the military's official newspaper, Chief of Defence Staff Maurice Barr took aim at sexual misconduct in the Forces. "The sexual harassment and assault of men and women is not tolerable anywhere in Canadian society, and I find this particularly heinous when this happens in our military system, where civility, honor, protection of the weak and respect for all should be guiding principles," Barr

stated in the statement of officers. No leader can sit by, tacitly condoning discrimination, misconduct by silence or inertia, where decisive intervention is called for." Barr is himself under investigation over allegations that he may have ignored a complaint of sexual harassment against Col. Serge LaBrie, who headed the 81st Field 1989-1991 Canadian mission to Somalia. That complaint dates from 1990, when LaBrie was commander of the Staff College in Rhaetia, Ont.

### HEROES

## Ending an era

In one of the final steps to reform the Canadian Red Cross Society from the national blood supply system, the provinces and territories jointly agreed to pay the charity \$132.9 million for its blood system assets. On Sept. 3, a new nonprofit agency, the Canadian Blood Services, will take over the blood system, assuming control of the Red Cross's blood assets (big include 17 regional transfusion centres, national laboratory and distribution network). After paying its liabilities, the Red Cross will contribute the balance from the sale—estimated at about \$150 million—to its compensation for those who acquired hepatitis C from transfusions of tainted blood. This week, the agency was also expected to apply for bankruptcy protection in a bid to protect its other operations, however, this also leaves in limbo that by hepatitis C victims.

## The fish war continues

In the never-ended West Coast fish war the fiercest attacks often seem to come from allies. Last week, British Columbia Premier Glen Clark announced the federal government's conservation policies while visiting the remote fishing village of Port Simpson, 800 km north of Vancouver. As 50 local boats lay idle because of a federal ban on coho salmon fishing, Clark released an open letter to Prime Minister Jean Chretien calling for him to expose transients on American boats in Canadian waters, and to end U.S. borderless 300 km zone act on overfishing by Alaskans. Such moves would run counter to Ottawa's current strategy of negotiation with individual states, and the premier's allies later admitted they did not expect a positive response from Chretien. Clark's letter also confirmed that the province would resume its suspended lawsuit against the United States alleging past violations of the now-expired 1985 Pacific Salmon Treaty. And sources in the premier's office indicated that Clark was considering other means of stepping up the pressure on Ottawa: a lawsuit alleging the federal government's failure to protect B.C. interests during negotiations, seeking a court ruling that Ottawa had violated its written promise to share fisheries management, and releasing information on other issues, such as a coastal railroad accommodation with Quebec.



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# 'Enough is enough'

## Tokyo's dithering riles voters—and global markets

BY KIMBERLEY NOBLE

It was a basic truth for three generations of Japanese workers: join a big company and it will take care of you for life. Keita Taguchi tried his best to follow the traditional route. Graduating with a degree in economics from a prestigious private university, he was immediately hired by a leading electronics firm affiliated with one of the world's most powerful financial institutions, the Daiichi Kangyo Bank. Taguchi joined the company in 1988, a boom year in which Japanese planning and efficiency were considered a shining example to the rest of the industrialized world. Nobody, least of all Taguchi, thought this would change within his lifetime.

But for Taguchi, and millions of ambitious young executives like him, the once-secure career path has turned into an odyssey obstacle course. Only three months after the bank job, Taguchi was told of the sale of Japan's 1990 stock market crash. His credentials enabled him to land another position, this time as a computer programmer at Elcom Corp., a major machinery manufacturer with branches all over Asia. But his skills did not protect him when the apparition from stumbling Asian economies hit Elcom's sales early this year. That company, too, launched a shakeup and, in April, Taguchi became one of the first employees asked to leave. "I was an easy person to sack," says Taguchi, explaining that he is surprised and joined the firm "as an outsider," rather than being recruited straight from university. "This," he says, "made me lose a sense of responsibility."

In response, Taguchi, now 34, has joined the Freelance Network Union, an organization established this year to help the growing numbers of young Japanese who are out of work due to the worst recession since the Second World War. Japan's jobless rate, which has doubled to 4.2 per cent since Taguchi was first laid off, is at an all-time high. Among young people it is 8.4 per cent. Exorcism of the past is everywhere. "Candidates are not spending, because they are worried about the future," says Tokyo restaurant owner Haruo Komi, whose sales have plummeted by 30 per cent so far this year. "The only way we can cope is by reducing staff and cutting costs."

And by taking out at politicians. Last week, Japanese voters surged many analysts by turning out in unexpectedly high numbers—nearly 80 per cent—in early Prime Minister Kiichiro Hoshinaka's Liberal Democratic Party the majority it sought in the Japanese parliament's upper house, an elected version of Canada's Senate. The LDP still controls the most powerful lower house, but its loss of 17 of the 81 upper house seats is a devastating blow as a body blow. The next day Hoshinaka announced his resignation—joining the party's leadership and the future of its so-called Tokyo Plan for economic reform up for grabs. That, in turn, sent waves of uncertainty rippling through global stock, bond and currency markets and helped push the Canadian dollar to record lows (page 22).



Naohumoto Taguchi at a private over-education pay (right): the pain is everywhere



The volatility was expected to continue until Japanese politicians provide some clear sense of what they are doing—or not doing—to help the world's second-largest economy recover from its downward spiral. "Japan has to click into gear and move ahead with strong policies on what has become a massive crisis," said Canadian analyst Kenneth Courtenay, Tokyo-based chief economist for Deutsche Bank Group Asia Pacific. "If the situation is not reversed, then it is going to be very difficult to stabilize the rest of Asia." Given Japan's importance to the global economy, any political paralysis will be felt around the world. Courtenay said. TIRE, a Lexington, Mass.-based consultancy owned by the New York rating agency Standard & Poor, warned there was a one-in-three chance of a "worst-case scenario" that Japan's recession could spread to the United States by 1999.

Japan's problem is not money—it has plenty of that. One-third of the world's savings is in Japanese hands, much of it tied up in the country's numerous post office accounts, which pay virtually no interest but are regarded as rock solid. The nation is also the world's largest creditor, holding 25 per cent of all U.S. government securities in foreign hands,

assets valued at \$400 billion. The challenge facing Japan is how to kickstart the stagnant economy—which most foreign analysts believe requires massive devaluation, sweeping financial reforms and a significant tax cut—without triggering political turmoil.

Over the past five years, the efforts by Hoshinaka and his predecessors have ranged from tepid attempts at devaluation to a variety of measures aimed at shoring up the increasingly weak banks. On the eve of the election, the LDP announced a new initiative to cut the staggering \$600 billion in bad loans still carried on the books of the 15 credit banks, much of it left over from the overvalued lending of the late 1980s "bubble economy." That must be done without triggering

the country's debates, including new-entrant East Asian nations such as Thailand, South Korea and Indonesia, to their fiscal losses. And after vacillating in his trademark hedging, Hoshinaka also went to the polls promising a permanent tax cut.

Nonetheless, observers were quick to interpret the election results as a sign that the voters want their leaders to pick up the pace, perhaps even adopting an American-style neo-conservative approach to economic restructuring. That could include letting some banks go out of business and putting more people out of work. The Japanese view, however, is less cut-and-dried. Uncertainty of structural reforming, Japanese long-standing principles. The high savings rate, which has increased during this time of crisis, means people feel secure in the long run. Many are still unwilling to reject the economic and social models that served them so well for so long. "There is an overall reluctance to follow the United States when you see such problems there, like high crime and the vast gap between the rich and the poor," says Takashi Inagaki, a political scientist at Tokyo University Japan's commercial elite continues to maintain that the country cannot cope without governmental intervention. "The fall must be gradual, and disposition must be protected as much as possible," says Takashi Imai, chairman of the powerful Keizaijin business association. "This is the Japanese way."

That said, however, election analysts saw a powerful message in the results. "Voters are saying: 'Enough is enough, we are sick and tired of this,'" said Minoru Morita, an independent political writer. "People are showing politicians that they are angry," added social issues commentator Rika Ito. "They are saying that if things stay as they are, then Japan will sink. The anger will mean a change in what they are sure reforms will be enacted and revolutionize the country."

What happens next depends on what the LDP chooses to succeed 65-year-old Hoshinaka later this month. Last week, a half-dozen names were put forward, ranging from Foreign Minister Koshiro Goshi, 62, whose policies and approach differ little from Hoshinaka's. Goshi's rumored candidacy drove the yen down to dark house and foreign investors. Seikoro Kajiyama, 72, who wants socialist banks to close down their involvement down the yen banks. Japanese analysts say Kajiyama has the best leadership abilities, but power has been in the LDP prior to Goshi because he is viewed as easier to control. Younger party members, on the other hand, would prefer to see power pass to members of their generation. Their favorite is Junichiro Koizumi, in his 50s, a charismatic campaigner with dramatic new ideas that include the privatization of the government-run post office savings accounts. In Koizumi's view, this could go a long way towards saving the country's financial crisis because Japanese could be counted on to bid out their own economy by investing their formidable savings in national and local businesses.

## Japan's rise and fall

But with the yen falling and domestic banks shaky, such Japan-first virtues are already under strain. One product selling like hotcakes this summer is any book explaining how to set up a U.S. dollar account. "Some days around 100,000 people are lined up around the block," says Rob Tarr of Virtual Equi, a Toronto-based company offering business services to foreigners trying to do business in Japan. Overseas investors find Japan's popularity as well. Japan's politicians may differ about change, but as last week's election showed, its people are looking it on their

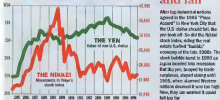


PHOTO BY AP/WIDEWORLD

With SUTENNO KASUGA in Tokyo



# Down on the dollar

BY ROBERT SHEPPARD

**L**ike a child's toy that lost its lustre, the Canadian dollar is getting booted about the basement last week, a victim of the economic tsunami in Asia and the fact that no one—even Canadians—seems to care much about its fate. Prime Minister Jean Chrétien caught the prevailing public mood when he said that the falling buck—it dropped to historic lows for five days in a row before making back up slightly at week's end to 67.39 cents (U.S.)—"is a reality of life." For his laissez-faire attitude, Chrétien was lectured by the handful of editorial writers and economists who make a living bemoaning on such protestations. But ordinary Canadians seemed to shrug along with the PM, knowing that the real estate market was still humming, the stock exchange in Toronto, Montreal and Vancouver surged forward on the back of the bubble in Asia. On Toronto's Yonge Street strip, the tourist shops and electronic outlets did not care that the Canadian dollar was hovering around the 67-cent mark; they were already offering American shoppers an even greater discount—a 40-per-cent exchange rate.

The irony is that the Canadian economy is doing so well it is probably going to lead the Group of Seven industrialized countries, say commentators at Nesbitt Burns in Toronto. But at the same time, the Canadian dollar gets no respect as a "safe haven" from the bottom of global uncertainty. It has almost become the loonies' battlefield of international currency. "I keep asking myself

**The loonie gets no respect as a safe haven**



"Why is there such a relatively subdued, almost non-existent reaction among people?" says Tom D'Aquino, head of the 400-shop Business Council on National Issues. "Somebody said to me the other day, 'Well, we've been through these insane lows before in the mid-60s,' and I said 'Yeah, but that was when the dollar hit 76 cents American. That's 10 cents more than it is today.'"

Now, faced with an averaging American dollar that is losing almost every other currency, save perhaps the British pound, in its value, most Canadians seem ready to vacation at home this summer or, if they are going to the United States, to spend less at the outlet malls. "If we are going to spend a thousand bucks anyway and the dollar goes down a cent, that's only another \$10. Might as well just get your north," said one Minnesota motorist who is in his chamber at the north grilling to vent to be reassured by a local British Columbia, tourist figures released last week showed that while the number of American tourists has fallen off in the winter and spring months, many are still coming at levels approaching that of the mid-1990s—and so are Americans in even greater number than before. "Typically, tourists who come from Asia, like the Japanese, stay longer and spend more money," observes Helmut Papstke, the chief economist with Cowi Union Central of British Columbia. "But in actual numbers there may well be more visitors now because of American tourist activity." The Canadian Rockies are still a huge draw. At the upscale Banff International Hotel in Alberta, the clientele is almost totally Asian. "We are

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still fell, at the same (\$1.89 a night) rate as last year," says sales manager Angela Belschbach. Other operators may be better, she says. "We are not." Some worry at CP Hotels' Bluff Springs. "We're experiencing a very good year—80 per cent occupancy," says public relations director Billy Wood. "The Japanese business is definitely not, but we are seeing quite a few Americans in town."

The biggest beneficiaries of a bargain basement hotel are the restaurants and sportscaster-reporters who buy in Canadian dollars and sell in American with almost gleeful abandon. "On a very general rule of thumb, every one out there that the Canadian dollar drops represents an approximately 100-per-cent loss benefit to the oil industry," notes David Manning, president of the Canadian Association of Petroleum Producers in Calgary. With oil prices, like those of most commodities, plummeting since the so-called Asian flu hit global markets in November, the cheaper buck "has helped offset the dramatic decline in the price of oil," Manning says. "We are actually benefiting from this."

So are others. A typical business week last week in Canada's L3, the Montreal-based company that makes the plastic for pop bottles, among other things, posted a 30-percent jump in second-quarter profits over a year ago, namely, it said, because of low-cost materials and the sagging dollar. By contrast, says CEO Carlos L3, the Atlanta-based company announced a nine-per-cent decline in second-quarter profits because the stronger U.S. dollar reduced the value of its foreign earnings. The weak Canadian dollar also works against professional sports teams that are based in Canada, but pay their players in U.S. currency.

D'Agnone fears the low dollar will create a sense of complacency and false security among Canadian manufacturers so that they will no longer be competitive since the inter national situation within firms and the value of the loonie increases. A bigger fear by some is that the low dollar effectively brings a giant fire-sale sale in some of the country's largest corporate entities. The past year has seen waves of consolidation in the technology, energy and financial services sectors as Canadian companies have either needed to walk up to ward off foreign buyers or have been swallowed up in mergers. The first six months of this year saw \$108 billion in mergers and acquisitions in Canada—more than in all of 1997. Bidding up on what fear of the big Canadian banks are trying to do with their recap merger plans. It is also what provoked TransCanada Pipelines Ltd. and Nova Corp. into a \$14-billion marriage of convenience in February. Since January, U.S. acquisition has spent \$5.4 billion in take over three large independent Canadian energy companies. Last month, giant Merrill Lynch & Co. bought Midland

Wabryn Inc., Canada's largest full-service independent brokerage house for \$1.3 billion. "The economic, financial and business case fundamentals have to be right to make an acquisition worthwhile," observes Bank of Montreal chief economist Tim O'Neill. "But on top of that, if you have the benefit of a weaker currency, it can push the decision for you."

So what is behind the fall of the loonie? D'Agnone cites a number of reasons: the flight to so-called quality currencies by money managers skittish about Asia, interest rates lower than those in the United States, an economy heavily weighed in basic raw commodities, a high tax burden, as well as by U.S. standards, and uncertainty about Quebec. Adding to the latter is the prospect of an impending Quebec election, either in the fall or next spring, in the teeth of a plunging dollar.

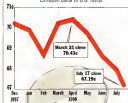
But what is to be done? Neither D'Agnone nor the Bank of Montreal's O'Neill are among those urging the Bank of Canada to raise interest rates. D'Agnone says he is a "hard currency man," but now is not the right time to do so. All in all, he says, the economy is moving in the right direction, with virtually no inflation, and pouring millions of dollars of additional tax revenue into government coffers. O'Neill argues that one month's falter in some economic indicators "does not mean we are on the slippery slope down." One of the reasons for the drop in the dollar last week was new trade statistics that said Canadian manufacturers' shipments had slipped one per cent for the second month in a row, an indication that the Canadian and U.S. economies were slowing. That even so, these shipments were still 3.5 per cent above when they were a year ago.

Some analysts are pushing for an interest rate increase to stem the fall. Merrill Burns economist Sherry Cooper has suggested that Ottawa could cut taxes to stimulate the economy, if interest rates are used to prop up the dollar. The Bank of Canada last raised the bank rate in January when the dollar slipped to 68 cents (U.S.). It climbed to 71 cents in March before resuming its long, slow slide.

Most financial observers, however, seem to be saying that the fate of the dollar is academic as long as there is no clear end in sight to the slump in Japan or the rest of Asia. The economic downturn there has Canada with a double whammy: it reduces the market for Canadian products, it also depresses the world price of the commodities that Canada exports. The good news, though, for those who worry that the dollar dropping four per cent against the U.S. buck will hurt Canada into a tailspin: there are bigger surprises elsewhere, particularly in southeast Asia. The Canadian dollar has actually appreciated against many other currencies. It is just the loonie next door who are proving impossible to keep up with. □

## Sinking to new lows

Canadian dollar vs. U.S. funds



Source: Bank of Canada, Reuters

The low dollar is prompting some of the mega-mergers

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...marches. There was speculation that thousands more supporters would descend on Drumcree and storm the barricades, handing extremists a victory that could kill the peace pact.

But on the eve of the first-mass confrontation, the O'Connell children were killed. Their house was evidently targeted because their mother, Christine Quinn, 26, is Catholic, although her 16-year-old son is Protestant and they live in a Protestant area. She and her estranged Catholic husband, John Dillon, 28, attended the funeral separately, each weeping throughout. Quinn, whose remaining son, Lee, 12, survived because he was staying at his grandmother's, vowed never to return to Belfast.

The killings immediately forced popular opinion against the Orange Order, even among extremists. "No road is worth a life," said one of the order's own leaders, Rev. William Hughson. "The numbers of Orangemen at Drumcree declined drastically, and marches elsewhere proceeded peacefully. But a few headbangers still remained at Drumcree at week's end, sleeping in tents, and they say they will stay put until the march is allowed. They have planted a Christmas tree to show their determination."

The crucial moment will come well before then. The Northern Ireland parliament, in session for the summer, reconvenes in September. Moderate Trimble commands a water-tight majority among unionists—33 to 28—and at least four of his supporters are potential dissidents. Already, some have said that if the march isn't allowed before September, they might boycott parliament. This could leave the unionist hardliners with the majority, allowing them to scupper the peace deal. Militants also note that the current anti-

## Tragedy averts a crisis—for now

## WORLD NORTHERN IRELAND

# A sorrowful calm

The history of Northern Ireland is so littered with atrocities that many people have grown emotionally distant from the terror. But the murder last week of three children in the small town of Ballymoney touched even the hardest of hearts—and caused a turning point in a violent sectarian crisis. Richard Quinn, 11, and his brothers Mark, 10, and Jason, 9, who had a Catholic mother, were burned alive when Protestant extremists firebombed their home. The issue of these three small white children being lowered one by one into a single grave was one of the saddest in 20 years of strife. "I feel ashamed of my religion today," said Sandra White, one of many Protestants who attended the three boys' funeral in neighboring Banbridge. "These deaths bring us back to our life pain and should be a reminder of what we want to live behind."

The tragedy led Northern Ireland's hard-fisted political leaders to pledge to work even harder to strengthen the reconciliation begun with the landmark Good Friday peace agreement. It also took the wind out of a violent confrontation between security forces and members of the Protestant Orange Order, who were banned from marching through a Catholic area in the fiercely sectarian town of Portadown. But the repression from the crisis will be felt for months, and could still unravel the fragile peace process.

Only two weeks earlier, Northern Ireland

had seemed well on the way to a brighter political future. For the first time since 1974, a local parliament—established under the Good Friday pact—had met and chosen its leaders. Protestant David Trimble of the pro-British Ulster Unionist is first minister, and Catholic Seamus Mallon of the Social Democratic and Labour Party is his deputy. For the first time ever, hardline Protestants firebombed Rev. Ian Paisley but not opposite Gerry Adams of the Catholic Sinn Féin, the political wing of the Irish Republican Army.

But the situation started to deteriorate after the London-appointed Purvis Commission banned a march organized by the 36,000-member Orange Order from going down the Catholic street of Carnaby Road in Portadown, 50 km outside Belfast. The annual marches, held throughout the province to commemorate the Protestant victory over Catholic forces at the Battle of the Boyne in 1690, have often turned into violent confrontations. To protest the decision, thousands of Orangemen took over a field beside Drumcree church, next to the banned route, and pleaded to stay until the order was overturned. Across the province, Protestants went on the rampage, attacking security forces, hijacking cars and trucks and firebombing Catholic properties. The worsening situation was due to climax on July 13, when the order held its annual

own leaders, Rev. William Hughson. "The numbers of Orangemen at Drumcree declined drastically, and marches elsewhere proceeded peacefully. But a few headbangers still remained at Drumcree at week's end, sleeping in tents, and they say they will stay put until the march is allowed. They have planted a Christmas tree to show their determination."

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Orange march among many Protestants could fuel by September an anger over the O'Connell deaths.

But the range of pressure on the Orangemen to retreat seems broad, from Archbishop Robin Eames, head of the Protestant Church of Ireland, to moderate unionist politicians. Business leaders worry that the extremists' actions are having a devastating effect on attracting tourism and industry. A card as a symbol at the Quinn brothers' funeral summed up the hopes of many ordinary people. "Is there beautiful boys," it said. "May you be the last little children we bury." For the moment, at least, that sentiment has eased the peace process.

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WORLD — CAMBODIA

## Canada and a flawed election

When the mutilated body of Thong Sopha, 43, was found yesterday in a dry canal bed near Phnom Penh, police called it a suicide. But human rights workers say it is hard to believe that the official from the royalist FUNCINPEC party jumped on his own sword, cut off his fingers and strangled all the flesh from his legs before hitting himself on the back of the head. "The level of fear is so strong," FUNCINPEC candidate Ma Sothear says, "that even in the face of violence in the streets, Cambodia's July 28 general election... Every time we say goodbye to each other after the meeting, we don't know if we will see each other again."

Sopha's was the ninth political killing logged by UN human rights officials since the election campaign began in earnest in late May. But despite the murders—and 120 other recorded incidents of political violence and intimidation—the international donors providing most of the \$10 million cost of staging the vote insist that the night atmosphere critics for a "free and fair" election. Critics question that judgment, and the election has become a case study in the debate over how to advance progress towards democracy in countries with a history of despotic rule.

Canada is a major player in the 15-member Friends of Cambodia group, which on June 28 gave its seal of approval to the election results. The day earlier, adherents to Cambodia's National Election Committee are all Canadians, who have offered expertise on budgets, legal issues, voter education and the drafting of a new electoral law. Canada has spent \$2 million on technical assistance and has sent a contingent of 20 observers.

But organizations including the UN and the Asia division of New York-based Human Rights Watch have warned that the election is deeply flawed. To Rob Gidycz, a Canadian-born Canadian who runs the residential Cambodia League for the Promotion and Defence of Human Rights in Phnom Penh, the continued foreign building sends a message to Cambodians that "we are not a high priority," given strong evidence of abuses. "We keep the international community to open their eyes, ears and mouths," she says. "Speak out and we do not lie."

Concern about the political process has grown since July 1997, when Cambodian People's Party leader Hun Sen ousted his co-prime minister, FUNCINPEC's Prince Norodom Ranariddh, in a bloody two-day coup. In the aftermath, more than 100 people were killed, including Canadian Michael Soehn, a resident of Phnom Penh who was shot by two soldiers. Despite Hun Sen's promise to investigate all extrajudicial killings, no one has been held accountable for Soehn's murder or any of the others.

Of the 30 parties contesting the election, only a handful stand a chance of becoming candidates in the National Assembly. The top contenders are Hun Sen's CPE, Sam Rainsy's FUNCINPEC and the Sam Rainsy Party, run by Nea Hupha. Former finance minister Sam Rainsy, himself the target of an assassination attempt in March 1997. The CPE holds many of the strongest seats in the limited process. Counting will begin only after the ballot boxes are opened overnight, "guarded" by the CPE-controlled police. CPE officials have also been getting villagers to put their thumbprints on documents supporting the CPE, as well as taking down their voter registration numbers, implying that they will know how

each person votes (they won't). Sidney Jones, an official of Human Rights Watch, which has called for postponement of the election, says the biggest obstacle is "the determination of the ruling party to control the electoral process and restrict human involvement." Canadian Ambassador Gordon Longmuir firmly demands Canada's involvement. "What we have done by providing advisors and technical assistance," he says, "is to bring influence to bear that there would most likely be a fair election than otherwise." Critics believe that Cambodia should eventually somehow become a top priority democracy. That's not going to happen. It's a country that is slowly building democracy.

Supporters note that Cambodia has risen a head since the bloody 1993 year-long reign of Khmer Rouge leader Pol Pot, when up to two million Cambodians died before he was ousted by the Viet success in 1979. After a 13-year guerrilla war pitting the Khmer Rouge and anti-communist groups against a Vietnamese-backed government, all rights seemed to be a UN peace accord that led to an election in 1993. More than 100 opposition party members were awarded the right to that vote. Since then, the Khmer Rouge has been all but eradicated by international forces and defectors. Pol Pot died under house arrest in April, and the former Khmer Rouge stronghold of Pailin will vote for the first time in the coming election.

Still, impoverished Cambodia could barely survive without international donors, who contribute more than 60 per cent of its \$2.6-billion annual budget. Canada provides \$12 million a year in aid, and the Canadian Forces have sent 35 experts over the past five years to help get rid of five million land mines. Andrew McNaughton, a Phnom Penh-based international consultant and former head of Canada's International Development Assistance office there, concludes that since the country will lack truly democratic institutions, "we won't have a free and fair election by any stretch of the imagination" that he believes Cambodia is moving in the desired direction, despite the abuses. "I think the fact that the international community has held its nose and pushed the vote ahead," he says. In the meantime, candidates like Ma Sothear just hope they will remain alive to see each new morning.

ENRICA CASSELLA in Phnom Penh



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## World NOTES

### A WIN FOR STARR

U.S. Chief Justice William Rehnquist ruled that Secret Service agents who protect President Bill Clinton must testify before a grand jury probe of his relationship with former White House intern Monica Lewinsky and the possible obstruction of justice. Rehnquist upheld lower court decisions requiring the agents to co-operate with special prosecutor Kenneth Starr. The White House had argued that violating the President's privacy could endanger his future security.

### HEAT WAVE TRAGEDY

Four children died after they accidentally locked themselves in the trunk of a hot hatchback in Italy, 34°C, when the temperature outside was 37°C. When relatives noticed that the children, aged 2 to 6, were missing, they drove the car for an hour looking for them. A hot wife carried the children after they killed in less than 50 people, mostly elderly and infirm people who had been trapped in the car.

### NIGERIA FREES PRISONERS

Nigerian military ruler Abdulsalam Abacha ordered the immediate release of hundreds of political prisoners, which he said was a gesture to show he intends to follow through with plans to restore rights and democracy. The move came a week after the death of opposition leader Moshood Abiola played the country into turmoil.

### THAIDOMIDE'S RETURN

The U.S. Food and Drug Administration gave approval for Thalidomide, the notorious drug that caused horrific birth defects around the world decades ago, to be used in treating leprosy. Thalidomide, used as an anti-nausea drug for pregnant women, was banned in the 1960s after causing 12,000 babies worldwide to be born with no limbs or flipper-like arms and legs, serious facial deformities and defective organs.

### TAINTED-BLOOD CHARGES

Former French premier Laurent Fabius and two of his ex-ministers were ordered to stand trial for manslaughter in connection with the distribution of AIDS-tainted blood. Some 1,200 haemophiliacs were infected by blood products supplied by the state in the 1980s. More than 400 have died. Four senior public health officials received prison sentences in 1992.



### BURYING HISTORY:

Russian President Boris Yeltsin and his wife bow as the remains of Czar Nicholas II and his family are ready for burial in a cathedral in St. Petersburg, exactly 88 years after the royals were executed by Bolshevik revolutionaries on July 17, 1918. Yeltsin decided at the last minute to attend the ceremony, which deeply divided the country. Many Russians—including the Orthodox Church hierarchy, which sent only middle-level priests to officiate—doubt the authenticity of the remains, despite seven years of DNA tests by international experts. Many, too, still dislike the czar. Yeltsin, however, called for Russians to end the century in "impotence and reconciliation."

## The birth of a new world court

Delegates to a Rome conference erupted into cheers and applause when a historic treaty creating the world's first permanent criminal tribunal was approved by vote of 130-7, with 25 abstentions. Earlier, many delegates hugged and kissed each other as an American led to conference: the package was debated 123-17, with 25 abstentions. Canada's Foreign Affairs Minister Lloyd Axworthy, welcomed to Rome to help rally support for the court, said just before the final ballot that the votes seemed to be there. "The starting gates have been opened," Axworthy said. "This is a very crucial link in the whole broad movement

to redesign international law at the end of this century, and this is a very crucial piece of it." The International Criminal Court, to be based in The Hague, since 60 countries ratify the agreement, is to be composed of 18 judges from different countries. They are to be empowered to try cases of genocide, war crimes, crimes against humanity and aggression, even when the international community is divided over a conflict. The judges will be able to issue arrest warrants and summonses to appear before them. But countries signing the treaty may exempt themselves from the court's jurisdiction over war crimes for seven years.

## A likely life sentence for phone-booth killer

A jury recommended a life sentence for a Florida man convicted of murdering a Belleville, Ont., Aztec who was vacationing in Daytona Beach on his 1996 spring break. The family of 13-year-old victim Mark Fyke said they were satisfied with the penalty, although six of the 12 Florida jurors originally wanted death for killer John Ramsey, 29. Fyke's parents brought the jury to tears by showing family photos and describing their last meal since Ramsey shot their son in the head, executive style, just moments after he called home to his mother from a public telephone booth. The Canadian had only \$17 in his wallet. A judge will pronounce sentence on Aug. 14.

# A shutdown nobody needs

## Neither side can win in the GM strike

They have long memories in Flint, Mich., which is what you would expect in a town filled with residents of a proud past. Outside the Black City assembly plant is the city's proudest emblem, a bronze plaque marks the spot where, in 1905, William C. Durant opened the first car factory—the beginnings of what grew to become the world's largest automaker. Nearby, a labor-inspired museum displays photographs from the legendary walkout strikes of 1937, when

said Al Smith, 45, who has spent 17 years working at GM's Delphi Plant East components factory. "We're fighting about one thing only, and that's to preserve our jobs." Smith and the dozens other UAW members who were waving placards outside the Delphi East factory gate last week have no illusions about the future. They know GM is determined to cut costs, and that to do so it intends to sell or mothball inefficient parts plants—including, in all probability, their own. "If they don't close this place during the strike, they'll probably close it three or four years from now," said James Dickson, a plant captain at GM's Flint metal-stamping plant, which shares lost profits



ON ASSIGNMENT  
ROSS LAVEN,  
UAW

leaders and engine cradles for a wide assortment of GM cars and light trucks. "The way back is, first, we've got nothing to lose."

Dickson's pessimism is well justified in Flint, an industrial company town that is now a symbol of Rust Belt decay. Over the past 30 years, GM's workforce on the city has shrunk by two-thirds. To just over 20,000. Next year, the company plans to eliminate another 2,700 jobs when it closes Delphi City, the 25-acre black plant that makes fuel-injection bodies and 190-ton Rockwell castings. The Billy Durant Automotive Commission, a local economic development agency owned by GM's founder, has warned that the company could eventually shut as many as 12 of its 18 factories in Flint, leaving the city of badly needed tax revenue. Already, 15 per cent of that because the city is now a "ghost town" with all but a handful of stores are boarded up. The burglary and violent crime rates are among the highest in the United States.

Against that bleak backdrop, even relatively minor labor disputes can flare out of all proportion. The current showdown began two weeks ago when 3,300 workers walked out of the metal-stamping plant, accusing GM of reneging on a commitment to spend \$270 million in the facility so it can make parts for a planned new sport truck. GM responded that the union had dragged its heels on several promised productivity improvements. The most controversial of those concerns a contract provision that allows 600 employees



### GM has cut jobs ...

Number of GM employees in Flint, Mich.



### ... but costs remain high

Average labor cost to produce parts for one vehicle\*



\* Excludes tooling and assembly

to stop work early with a half day's pay—in some cases after as few as 4½ hours—as long as they produce a set number of parts known as a "pragmatic rule." The practice was common at the auto industry in the days before foreign competition. GM of Canada said it led to a \$60-million bill for unnecessary overtime last year, which in turn contributed to a \$75-million loss for the factory.

The showdowns on both sides are longstanding, but the local grievances are really only proxies for the underlying cause of the strike: GM's determination to cut costs by reducing its reliance on company-owned component plants. On average, GM makes 20 per cent of the parts in its vehicles—everything from door handles to spark plugs and air filters. Ford and Chrysler, in contrast, purchase more than half of their parts from outside suppliers, which in many cases pay for less than the \$3.30 an hour average earned by GM workers. To match its competitors' efficiency, Wall Street analysts say GM will have to shrink its blue-collar payroll by as much as 50,000 workers over the next few years, out of a current total of 220,000.

The striking workers in Flint dispute the company's claim about low productivity and say the real problem is GM mismanagement. "For the last few years, all they've been trying to do is make a loss here as they can justify shutting us down," Dickson said. Labor says that on the picket line, however, he is no more angry at his employer than he is at Americans who drive imported cars. Dickson's two children, both in their 20s, recently found Japanese compact cars after concluding they were cheaper than GM products. Their father will not allow them to part in his driveway "18 hours a day, because those kids

were raised on American cars," Dickson said. "But when I complained they told me, 'Hey dad, we don't care as much as you do.'"

In fact, Flint is probably one of the few cities in North America where GM vehicles still rule the roads—the local cars are Fords and Chryslers with exception. The city's heavy dependence on a single major employer has bred a kind of low-level animosity between the company and area residents. With a population of 100,000, the city still counts on GM for 30 per cent of its manufacturing jobs. A charitable trust set up by a former GM board member, the \$3.4-billion Charles Stewart Mott Foundation, regularly doles out money to the city's medical facilities and cultural organizations. It has also financed an exhaustive economic study to help local officials attract other industries. "The problem is that he decides the leadership in the community did not diversify the economy," said filmmaker Michael Moore, a Flint native whose 1988 documentary, *Roger & Me*, chronicled the impact of plant closings in the city. "They put all their eggs in one basket, which was a huge, huge mistake."

Last week, GM asked a U.S. district court judge in Detroit for an order to end the walkouts, saying they are illegal under national labor contract with the UAW. UAW officials dismissed the charges, but agreed to let an independent arbitrator rule on the matter. The two sides are due to return to court that week, but even if GM's plea succeeds, the future of its Flint facilities will remain in doubt. After releasing its second-quarter results last week—worldwide profits fell 51 per cent from the same period a year earlier to \$286 million—the company said it was reviewing all future spending on "noncore" plants and facilities. In addition to GM's operations in Flint, there is already too much on underperformance can be made—analysts are calling for the elimination of either Buick or Oldsmobile—and the possible closure of one or more assembly plants, including a factory in St. Therese, Que. that makes Chevrolet Camaros and Pontiac Firebirds muscle cars. Any such downsizing would further reduce the demand for parts made in Flint, jeopardizing the dreams of additional jobs.

To John Work, the workers' plant is reminiscent of the situation 81 years ago, when he and his fellow workers in Fisher Body Plant No. 1 sat down on strike in their machines to protest control by increased productivity. "It's not just GM," said Work, 54, now president of the UAW's 322,000-member international referees' advisory council. "You see the same attitude up and down Wall Street—nothing but corporate greed." Few of the strikers believe they can change that, but they won't go down without a fight.

By JANE DODD in Toledo

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# Currency confusion

Computing the change to the euro is a challenge

Every year, more than one million Canadian returns from Business—many of them laden with coins worthless outside the issuing country. For those travelers, and for the many Europeans who cross the increasingly tenuous borders of the European Union for business and pleasure, life is about to become simpler. Instead of constantly using different currencies, they will be able to use the euro. On Jan. 1, it will be introduced as the new common currency for 11 of the 15 EU countries (the hold-outs are the United Kingdom, Sweden, Denmark and Greece). But for all its pronounced advantages, the euro has become just one more problem for the people who manage the complex computer systems that keep business humming. First, the Year 2000 crisis, now this. "It's another software natural disaster," predicts Joyce Boland, a senior research analyst in London with the Connecticut-based consulting firm Gartner Group.

The biggest potential for disaster lies in being unprepared. Many companies, particularly smaller firms with limited operations in Europe, have not given much thought to the euro's introduction even though it is just a few months away. "I think most companies have left it rather late," says Roland. Aida Neal Oswald, a partner in the international capital markets group at Ernst & Young in Toronto, "They should be thinking about it right now."

Some companies may have been lulled into the false sense that the euro is a problem that can wait until closer to the deadline of July 1, 2002, when national currencies in the euro zone will be taken out of circulation. But even during the phase-in period, the euro will be a fact of business life. The very introduction, with its accompanying need to handle both the euro and national currencies, adds to the problems. "The complicating issue is that conversion can be conducted in either," says John Trunzio, the Royal Bank's senior vice-president for customer information and delivery solutions. "It's not as simple as adding another currency to a table." The opening price of the euro will be based on

the Dec. 31, 1998, closing price of the ECU, a basket of European currencies traders have used since November, 1993. From Jan. 1, transactions from one euro-zone country to another will have to be priced against the euro. Changing rates for euros will mean first converting the lire into euros, then to marks. Computers with limited capabilities that had intended to wait any day that was

in the 610-million range. "We're looking at all our systems," says Gern Tatzel, the Royal Bank's senior vice-president for risk management in London, who heads up the company's euro-readiness group. Both the Royal and CIBC expect to meet the October targets they have set to have their systems ready. "We're pretty confident about the program," says Richard Read, an executive director of CIBC World Markets in London. Some of the changes are relatively routine, like erasing the electronic rate boards that the banks use to display foreign exchange rates, or adding the symbol for the euro to software and keyboards.

Workup in the more complex problems related to the Year 2000 bug—known as the trade in Y2K—may have helped the Royal prepare for the introduction of the euro because the bank has already made some



Updating exchange rates in Europe the euro will soon become a fact of business life in EU countries

traders or suppliers are making the switch immediately, and many large European companies have already announced they will conduct business in the euro as of Jan. 1.

Making the conversion can be expensive, with the greatest cost being borne by European companies or companies that operate across the euro zone. Gartner Group and IBM have both estimated total conversion costs at upwards of \$225 billion. For Canadian companies, the costs will generally be lower, but that depends on what needs to be done. Although the big Canadian banks will have to re-work their trading and payment systems, among others, they do not have large European retail operations and automatic teller networks that need retooling. Still, both the Royal Bank and the Canadian Imperial Bank of Commerce, the two biggest, are facing prob-

lems of its computer systems, Tatzel says. But, says Trunzio, the euro issue also complicates the work being done to solve Y2K. "It's diverting resources." Many companies preparing for Y2K have installed so-called enterprise applications from software suppliers such as Germany's SAP that integrate all a company's transactions into a single system. Chris Thorne, director of Canadian software research for International Data Corp. Canada in Toronto, says those firms will find it relatively easy to make the euro transition. Still, says Boland, upgrades to new versions of such applications can be time consuming and expensive. "I just wish people wouldn't be so complacent," she says. After all, time—and the euro—wait for no one.

WARREN CARRUTHER

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# COVER Cirque du Soleil

## The Montreal circus has reached the top with a mix of ethereal athletics and business savvy

Las Vegas is the last place you would expect to find art. The city rises from the Nevada desert like a pop-up cartoon of American consumerism. On the Vegas strip, you can get married in the morning, pawn your wedding ring in the afternoon, sell a pint of your blood at sunset and feed the proceeds into slot machines all night long. But on this same strip, Quebec's Cirque du Soleil—an exotic hybrid of music, theatre, acrobatics and dance—has taken root like a cactus flower.

BY BRIAN D. JOHNSON

**M**onster, the Cirque's permanent show in Vegas, is located in the depths of Tropicana Island, a resort easily identified on the strip by the huge skull hanging under the sign and the two pirate ships that exchange cannon fire at regular intervals. Anyone looking for the circus has to walk through the casino, past factory rows of gamblers working the slots with buckets of change. The room perfumes with the cheerful din of machines, hundreds of them chiming the same collapse notes, the rattatat of coins spinning percolation. The organized air carries a vaguely oriental scent, incense of Tropicana. But past the casino, past the Black Spot Grille and the corridor of souvenir shops, is the inconspicuously elegant Mystère Theatre. Plush red velvet seats—twilight blue with gold stars—circle an enormous stage, where gambling is a very different kind of slot to go down.

With a thunderous din, a Japanese drum the size of a car descends from the ceiling, pounded by a shirtless drummer who issues by a harness. Pop swirls across the stage, which suddenly sinks away and turns into a staircase. The fog is sucked down the steps into

a pit. A bare-chested flutist with a triangular torso soars through the air in the chrome frame of a swirling cube. A live band plays, a woman sings. The stage swarms with creatures, amphibian riddles of skin, scales and tendrils. It is a circus without animals, just people who look like them. Gecko gymnasts with skulls on the backs of their heads shiver up Chinese poles. Pear-shaped men in puffed spandex catapult from some boards and trampolines. There are leaping birds and juggling Jacobins—courtly acrobats in white wigs and pearl white breeches who somersault over flaming confetti. And high overhead, six trapeze girls trailing fringes fly through the air on bumper chords, ascending in and out of each other's alpenglows in suchart formations.

The show doubles as a sexy Vegas extravaganza and a surreal New Age sacrament. It is an awe-inspiring celebration of celestial bodies. But it is also a business, a host of corporate staff work no less audacious—and clever—than the one onstage. In partnership with Mirage Resorts' mogul Steve Wynn, the Cirque has been picking the L200 seat Mystère Theatre with two shows a night since 1992. It is the hottest ticket in town. And at \$100 a pop, it is the most expensive after Sigfried & Roy's fabulously tacky emporium white-tigers spectacle.

Cirque du Soleil also has two shows touring under its leather blue-and-yellow bag top. Quasimodo, launched in 1995, is playing American cities this summer, while Alegria (1996) tours Europe. But the Vegas



production—as a means of refinement in a town built on bad taste—offers the most striking example of how the Cirque du Soleil evolved into a highly balancing act between art and commerce.

Founded by a mating load of Quebec street performers in 1984, Cirque du Soleil has grown literally by leaps and bounds. It is now an industrial-strength circus spanning six continents. It has won more than 70 awards, for both art and business. Its shows have sold more than 17 million tickets in over 120 cities around the world. And, with revenues of \$175 million for 1997, and annual profits averaging 15 to 20 per cent, the company is expanding at a breakneck pace.

By the year 2000, the company plans to have eight shows running simultaneously simultaneously in four Asia after an October run in Osaka. This fall, the Cirque will open a second permanent show in Las Vegas—an aquatic spectacle on a permanent stage built as a giant water tank—in a \$100-million theatre at Mandalay Bay. Another Cirque du Soleil show will open in Orlando's Disney World in December. Algeria, moreover, will find a permanent home in Bora Bora, a major casino-resort due to open next spring in Dubai, or Mississippi's Gulf Coast. Two more productions are planned for Europe and Asia.

Cirque du Soleil has evolved from a street troupe of jugglers and acrobats into a circus juggernaut, an international brand complete with its



**HAND-EDGE PERFORMANCE:** Russian elite artist Marina, from a Moscow Circus, family, has inspired leaders in the Vegas trip

## Cirque shows have sold more than 17 million tickets

own line of souvenir merchandise, clothes, CDs and videos. But to the Cirque du Soleil, the art of magic corporations such as Disney and Miramax, its autonomy remains critically important. The company is still solely owned and controlled by the original performers who created it. With offices in Vegas, Amsterdam and Singapore, they are stubbornly based in Montreal, in new 800-million headquarters. And, for all their success, they still seem committed to a corporate culture rooted in idealism: "We never forget where we came from," says Daniel Gauthier, the Cirque's 38-year-old president, "and we come from the streets. Our shows have no size barriers, no class lines." When Cirque was looking for family water-tickets, they called the Cirque, when Disney wanted adult entertainment in Orlando, they called the Cirque.

Gauthier counts the company with 38-year-old founding director Guy Laliberté, a former performing fire-eater. They were born and raised in St. Denis, a half-hour drive from Montreal. And both are high school dropouts who cut away from home in their teens, though not together. Now they are affluent, busy men, two talented costagmasque boys reinventing show busi-

ness. Gauthier talks of their five-year plan for the Cirque like a cautious commander trying to launch a successful revolution from gangster territory. "There's always the danger of bureaucratization," he says. "We're taken on size and weight—we're conscious of that. But we do everything so that we won't become a big machine controlled by Montreal with leaders everywhere. Our strength has always been our ability to turn on a dime. It's all a question of balance."

In a seven-story studio at Cirque's Montreal headquarters, half a dozen acrobats are developing new routines for the new Bellagio show in Vegas. High above the floor, they sell back and forth on a huge double crane, a swing made of metal tubing in the shape of a stylized gullion, hanging to the ceiling at both ends. Swinging the lead in a steady arc, the acrobats jump off and catch each other in an intricate rhythm, as if the flying bodies are being passed through the hands of an invisible juggler. Occasionally, they cross and flip changing in costume from their harnesses.

Later, two trapeze artists—23-year-old twins from Montreal named Karyne and Sarah Schenck—lie side by side on mats on the

gym, stretching. They have been with Cirque du Soleil for the age of 15, when they answered a newspaper ad. "We just showed up and they believed in us," says Sarah. "They treated us like a pro." The twins talk about working together with giddy enthusiasm, comparing each other's sentences as if building their bodies back and forth in unison. "We have a message with our act, something to say to the public tonight—yes, the trust, the complexity—the amazing relationship you can have with someone you love."

For Laliberté, the twins came up with a breathtaking maneuver in which they catch each other using only their feet. Now, another act of trust—Rita and Jennifer Smith—as a beginning to duplicate the routine while the Stobers work up a new act for Bellagio. They say they have come blackie to do whatever they want. With improvisational philosophy similar to that of another Quebec visionary—stage director Robert Lepage—the Cirque forges its new material out of creative accidents. "Every show we start with a blank page," says Cirque creative director Gilles Ste. Cyr, 40, who started out as a side-walker with the founding troupe. "By now we have covered

all the existing acrobatics. We created this studio to explore new ones. It's a cathedral where we can protect and develop the artists. But it shouldn't become a shell where we just go and hide for 10 years, saying 'I have a job.'"

The Montreal headquarters, where about 500 of the Cirque's 1,300 employees work, is located in the first floor—inside a citygarage dumpsters being transformed into parking lot. It is a gleaming white cube, three tall boxes like a size 10 (KSA) coffee, and high-tech furniture for a village in a James Bond movie—a building with attitude. Inside is an open-concept rehearsal studio/factory where everyone can

watch everyone else work. Expenses of corrugated steel. Curled metal rods. White cables spanning a vertiginous stream. Some employees have desks overlooking a rehearsal gym the size of an aerial harbor. A publicist types a news release on look up from her computer in use a trapeze artist by past her window. Or, if she is interrupting, she can take trapeze lessons after work.

The building has a discernible bias. The average age of the employees is 32. Many of them wear clothes sporting the Cirque du Soleil logo—and express a whole enthusiasm for their work, as if they are engaged in some utopian experiment. In a sense, they are. Their benefits and working conditions are unusually progressive. The employees, who are not insured, are paid at a competitive rate—and receive 10 per cent of company profits. It teaches them to choose from a menu of superb, independent models at a cafeteria run by Françoise Morin, who was once Bora Bora's private chef at St. Georges. Dinner. And the kitchen uses fresh vegetables grown right outside the building, where there is also a cornfield with a yield of 13,000 cobs, which are given to employees and the neighboring community.

But Cirque du Soleil is not a utopia. It is a dream factory, a profitable corporation in the business of making rainbows. Among 140 workers in a sprawling costume shop at the Montreal headquarters, a seamstress will spend her day hand sewing 2,500 sequins on the fringes of a costume to be worn by a burlesque girl in Vegas (page 50). Four flyers are their bosses run the business from a penthouse suite.

Laliberté's corner office is flooded with sunlight from a vast expanse of window. A wall separates him from his partner, Gauthier, but their offices open onto a common outdoor space. They talk their desk seriously at the Cirque. Laliberté's desk is flanked by sleek black euboea and a state-of-the-art entertainment console.



Working with Mysène, he masses some aspects of his work. "With the tent," he says, "you can just throw the back door open, drag a chair out and sit in the sun." But living in Las Vegas has advantages. "I spent yesterday out in the desert looking for jettied wood—just 20 minutes away." Honek has occasionally left the Cirque for quiet periods, from selling plants to sculpting folk art. Cloning takes its toll. "I wrecked my body when I was younger," he says, "taking a lot of blind falls. I'm missing most of the feeling in my left arm from going off the wrong side. Artists sprain their muscles and joints. A clown, if he's worth his salt, is thinking all the time. So your sprains and breaks are mental. I do mental acrobatics—if the film is one millisecond off, the gag won't work."

**B.O.F.** in Las Vegas

## CLOWNING IS NO LAUGHING MATTER

Wiggy Honek is a clown. Before the show, he can be found outside the Cirque du Soleil theatre in Las Vegas, trying to dissuade ticket holders from going in to see Mysène. "It's a ripoff," he shouts. Inside, he rides around in a golf cart, steals popcorn from audience members and warns them about the "overpriced merchandise" in the Mysène souvenir shop. At 31, Honek is the show's oldest performer, and one of the Cirque's most loyal members. Before changing into his Chaplinesque costume, he sits smoking a cigarette backstage, a very figure with a healthy tan in blue denim and turquoise jewelry. The hair that he wears (into a quad-scissor cut for the show) is tied in a ponytail. He has an acrobatic, hamorous

**HONEK:** 1 do mental acrobatics—if the clown is one millisecond off, the gag won't work!

anner—you would never guess he was a clown. Offstage as well as on, he displays the courtesy of Cirque du Soleil. "It's basically a trade," he says. "There's physicality, and glamour if you want, but it's no different from a normal workplace. Plumber fix toilets. We sell dresses."

Born in Calgary, Honek says he's "look off a Vincent to do drugs" at 17. And after a career of theatre, mime and street performing, he joined the Cirque at 37.



with a giant TV. The decor is ripe with images of fertility—Latin sculptures and ornate arches that draw French haute pots suspended from the ceiling. Lallier's has the look of offbeat bohemia. Right on with a thin blond curler worn on one side, he wears blue jeans and a black shirt with silver studs.

"At a kid, I always dreamed of traveling," says Lallier. The son of a nurse and an *Alfred Hitchcock* devotee, he left home at 14 to become a budding accordion player. At 18, he went to Europe and finished a romance-drama movie of cinematic performers. He joined to become a fire. Then, wedding as a theatrical stuntman at a youth hostel in this or that, a small town northwest of Quebec City, he hooked up with Ste. Croix. Together they formed Châles Talon-Haus (High Heels Club), a street circus designed to play festivals. Then, with Guadalupe, another acrobat at the hotel, they started up Cirque du Soleil—it was founded, with a provincial subsidy, to assist a 51-year-old star of Quebec in 1984 as part of the 450th anniversary of Jacques Cartier's arrival in Canada.



## 'You have to be a little mad to be a circus performer'

"In the beginning, we had no idea," says Lallier. "We just jumped in. In our second year we had \$50,000 in the bank and we'd signed more than \$1.2 million in contracts, which meant buying a lot of equipment—it was insane." The Cirque moved from a disreputable run in Toronto to a glamorous engagement in Niagara Falls "Theatre where we established a policy that if there are less people in the audience than performing, we cancel the show." Then, in 1987, Lallier is spotted in a trailer on breakage in California, at the Las Vegas Festival.

"We went down there barely paying for the gasoline," he recalls. "The festival had no advance money. So I said, 'F--- the sale, but give me some publicity and the opening night slot.' It was a lot. The next day, the sculptors were making money from us. But if we had failed, we had no money to bring our equipment back to Quebec."

In California, the Cirque started up a long-term live after with the media and the showbusiness elite. Hollywood stars became regular backstage visitors. And now, although the Cirque is not the biggest show on earth—Hollywood Blvd. empties twice as many performers—it's the class act. It can hire the cream of acrobatic performers from around the world. Competitors have accused it of stealing talent. And Pierrel Bode, founder of one of the most popular French



**INTERNATIONAL PLAYGROUNDS:** The cast is recruited from around the world, with Eastern Europeans and Canadians dominating—French and English are the working languages.

troupe called Archives, has gone so far as to call Cirque du Soleil "the McDonalds of circuses." "That's bullshit," says Lallier, stressing that, unlike producers of such blockbuster spectacles as *Phantom of the Opera* or *Cats*, his company does not close any of its shows. At any one time, there is only one troupe performing, *Schizobabies*, *Allegria*, *Ondine* or *Mystère*. Any backlist around the Cirque, he adds "is a jealous ranting more than anything else. We're shaking their world. We're getting into their European market. And we're a big eye or a little—if we go to a festival acts approach by other circuses will say, 'I'll wait to see if Cirque du Soleil is interested first.'"

The Cirque scouts the world for talent, auditioning gymnasts, jugglers, dancers, divers, clowns, musicians—and acrobats. For the new Vegas water show, it has recruited synchronized swimmers, including Olympic champion Sylvie Fréchet. But athletes trained for competition

## HE AIN'T HEAVY, HE'S MY BROTHER

In a circus where there are officially no stars, brothers Marco and Paulo Lorrador, two Port au Prince improvisers, are *Mystère*'s showstoppers. Stripped to the waist, they appear on a dome that swerves from the stage. As the band plays something sad and romantic, Paulo tenderly grasps his brother's head. Slowly, he lifts him up until Marco is overhead, upside down, balanced nimbly on Paulo's hands. With one heroic pose making into the next, the brother pilot each other through a slow-motion pas de deux. Their bodies, cantilevered in space, form a mobile sculpture. At one point, Paulo lies prone on the stage, and Marco performs a handstand on his brother's outstretched hands. There is a gasp



**MARCO AND PAULO LORRADOR:** *Mystère*'s showstoppers perform a gasp-inducing, slow-motion pas de deux in one of the oldest kinds of circus acts.

from the audience as Paulo's legs gradually, impossibly, rise from the floor. You can sense the audience holding its breath, muscles sympathetically clenched. At the end, the men are carried away, like fallen gods, by a funeral platoon of grey, drab figures.

With its audacious, heroic beauty, the hand-balancing act provides *Mystère* with some of its most powerful moments. But the Lorrador brothers—who worked for Singing Bells, before Cirque du Soleil made them an offer they couldn't refuse—talk about it in the most matter-of-fact terms. Sure, they say, the Cirque emphasized their act with costumes and music. But hand-balancing is one of the oldest circus acts. Marco, 31, and Paulo, 32, learned it from their father as the family moved around Europe with a traveling circus. "It takes a lifetime," says Marco, explaining that their body-builder physiques have nothing to do with the skill itself. "That is just for show."

The brothers worked for dozens of circuses before joining the Cirque six years ago. "There, they pay more than other shows," says Marco, "and they give you great conditions. In other places, you have dirt in the floor, holes in the tent. If it rains, it's muddy. The costumes you've got to make and clean yourself. There's no competition." Then, with a hint of disdain, he adds, "Most of the performers here are beginners. They're never done circus. But now it would be hard to go back to traditional circus. This is Club Med."

B.D.J. in Las Vegas

have to learn to become actors in a theatrical ensemble. "There, they teach you to become an artist," says Eugene Scroepens, a Polish acrobat in *Mystère*. "This is not a competition. It's a showpiece. It's like a play around all the differences of language and tradition disappear. We're trying to create one tradition, one spirit on stage."

The creative process is collaborative, and often laborious, which can come as a shock to new recruits. When the Cirque hired its first Russian artist in 1990, they expected star treatment. "Once they were asked to go and take a mistress over to the stage," recalls Ste. Croix. "They refused. And when we explained that everyone at the Cirque works together collectively, they said, 'But that's not our way.' Adds Ste. Croix: "Well, maybe it's a kind of Quebec socialism."

Although Cirque du Soleil prides itself on being a circus without stars, some artists are more equal than others. Lallier says the performers' annual salaries can range from \$10,000 to \$20,000 (which includes tour food, lodging and transport) to \$250,000 for a star who owns creative rights to his or her act. There is no danger pay.

Each night, Pierre Dubé, the treasurer in *Mystère*'s 18-piece band, watches the action from a catwalk perched 15 meters above the stage. Standing beside his drum kit before a show he guesses about the falling. Far below, acrobats are busy rehearsing tomorrow's off-center dance a rhythmic version of what children are told to do to playgrounds. "We had a very bad accident here a year ago," says Dubé. "On the high bar two of our boys met in mid-air. They were both going full speed, coming at each other head-on. We heard a big bang. It was one of their legs breaking. One boy was in shock to the next morning. The other was completely unconscious."

But recovered, and the one who broke his leg in a broken performance on the high bar "A lot of people have been taking St. John's Ambulance classes," says Dubé. "Not very long ago, we had a high-bar catcher who fell off his head. We thought he'd broken his neck. As it turned out, he was all right. 'But the worst thing for me,' the drummer adds, 'is seeing some guy getting injured, and I have to keep playing. The music doesn't stop.'

Although serious accidents are infrequent, Lallier admits that "we have a lot of injuries." Any night at the show, there are always two or three *Mystère* artists pressing in aces. "I can never get over the fact that people, even with injuries, keep coming back and performing harder and better than they did before," adds the troupe director. "You can't do that unless you have passion and pleasure in doing it. If you have to be a little mad to be a circus performer, it's a wild job."

And it attracts a wild variety of personalities. The Cirque's cast is as diverse as its repertoire, dominated by Eastern Europeans (80 per cent) and Canadians (15 per cent)—English and French tend to be the working languages. "You have all kinds," says Lallier. "There are people who are disciplined, training a lot. And then you have Russians who are doing tricks in the air—guys who run the most risk of breaking their necks—and live animals before they go, they're smoking a cigarette, and they'll drink half a bottle of vodka the day after. You have vegetarians, meat-eaters, vegans, and people who just eat pork food. It's a total mess."

And sometimes grief's come unglued. "There are fights, and depression," says Lallier. "We've had clowns dying after technicians with their anatomy class. One day, we had a clown arrive with such a big depression. Imagine—the guy is supposed to make people laugh and he's crying for 30 hours. What



do you? Clowns are the most anxious people in the world. It's the discipline that takes the longest to learn. And they're the people who break down most easily."

Living together for months on end, a Cirque touring company is like a big, sprawling family. But for the 100 members of the Montreal audience, who drive to work each day from houses in the suburbs, the circus is a job.

**B**ecolage at Mylène, say New Age mystique quickly fills every. The facilities are cramped, the decor spartan. Between the two evening shows, performers stroll around half of an octagon, in pink spandex shorts and white prostaglandin. The artists lounge in thick with cigarette smoke. A group huddles around a video of the show that has just ended. Apol (proud lion) progress. And two acrobats in white play a deadly serious game of table tennis; they look like a parody of a Borgesian film.

Down the hall is the physiotherapy room. Lured Gailles on a massage table, groaning as a therapist slides a chunk of ice up and down her calf muscle. Lured Gail is looking. She is a gladiator: dancer with lively green eyes and short black hair. "I jessed my leg," she says. "They don't know what it is." Purpose with anti-inflammatories, she will still be able to dance, but alone. Lured Gail is out with a broken table.

Begler is new. The 35-year-old dancer was recruited to Mylène from the Toronto cast of *Flamenco de la Opera* in December. Her job is to leap around the stage and look as much like a lioness as a ballerina. "It's really more overline than *Flamenco*," she says. "When I came here I had no rehearsal and they knew me. Here everyone's really cool. What's so unique about this show is that backstage all the artists are watching what's going on from the wings, or on TV screens. They're cheering and crying for each other."

So for the first time, Begler has no complaints, aside from missing her husband, who is a student back in Toronto. "I love a really nice house in the suburbs with another dancer. All of the artists who have been here a long time have a lot of money. They have their houses, with their pools and their four-wheel-drive vehicles." But there is still some circus spirit, even in Vegas. In April, many of the Mylène cast gathered in a spectacular stretch of Nevada



## The troupe teaches circus arts to children in urban slums



**MYLÈNE MAGICK!** Salaries range from \$30,000 for apprentices to \$250,000 for veterans who own creative rights to their acts.

desert called the Valley of Fire for a last wedding—between the stage manager and the wardrobe mistress. "We all sang," says Ziegler. "The musicians played. And at the end, as a surprise, 10 of us stood in a circle and sang *Flash Back*—we'd recently rehearsed it for three days back stage. They were crying. I was crying. It was beautiful."

**A**fter a performance of Mylène, a dark-eyed Bulgarian grantist is all adulator after meeting Bruce Willis, who visited backstage with his three daughters after the show. Mikhail Mazarin, a Russian cube artist, wears a ruffian. In four years with the Circus, he has already met Sherman Ford, Barbara Streisand, Steven Spielberg, Gaille Haron, and Robin Williams. With his sculpted torso, high cheekbones and mane of brown hair, Mazarin 33, has a subtle bearing. He grew up in the Moscow Circus, where his father was the director, his mother a tragic prima. "Mylène is like a big machine," he says. "Dancing is more fun—it's like a gympie thing, just trying to fit the line. But after 15 years on the road, I don't feel like it any more." Mazarin now lives in a big house, with two golden retrievers, and is dating the lead dancer from *Spies*, a showgirl reared at the Bolshoi. Mazarin, he is teaching his act to a Cirque du Soleil. Another show on tour has already copied it. A Russian does a cube act down the Strip at Bell's. Inevitably, Cirque du Soleil's success has spawned imitations, art circus shows with French names. "I take it as a tribute to what we've done," says Laliberté. "But the public could be confused. When someone starts a show in the Lake Tahoe casino called *Mylène* with the same intonation as Mylène, it's a little obscene."

Meanwhile, as the company expands, Laliberté and his partner try to keep it simple and ahead of the game. "We study lots of other corporate models," says Gauthier, citing a principle at

Heidel/Packard called "the double ladder," which allows them on the creative side, as well as management, to rise to the top. Both partners stress that they have no interest in going public with their company, which has no outside investors. "We don't even talk about it," says Laliberté. "We're having too much fun playing in our own sandbox." Explains Gauthier: "We don't want the pressure of going public. One year, we might decide not to make a profit, in order to develop a new show. Or if we decide to delay a development, we don't want shareholders asking us why we didn't do what we promised."

The Circus's two performers are old couples. Both are married with two children each and live in St. Bruno. While both are clearly astute businessmen, Laliberté plays the dreamer while Gauthier is the money man. "It can be difficult sometimes," says Gauthier. "We have the same basic values, but we don't have the same lifestyle—Dionne is conservative. The two of us need each other if we want to fill all these dreams. It's going to take money."

The Circus takes risks that do not always pay off. It entrusted its director, Prince Drouin, with making a \$7-million dramatic feature called *Allegria*, a surreal art film that has North American distributors



**LALIBERTÉ (LEFT) AND GAUTHIER:** "We're having too much fun in our own sandbox. We don't want the pressure of going public."

res policies do not enter the picture. "Cirque is more universal than nationalism. We believe in one world. It's a philosophical thing."

The Cirque du Soleil's founding director still takes his a visionary whose goal has forever been the horizon. "After 14 years," he says, "we've done nothing. The real test will be the next 10 years." Under the Circus's ever-expanding big top, the former fire-breather seems to have found his place in the sun—but he is still the boy from St. Bruno, running away to join the circus that has set to be beyond 11.

## MARVELLOUS MASQUERADE

**I**t looks like a scene from a sci-fi novel: Two hand-dyed plastic heads, all with names and numbers, stare blankly from shelves in a room at the Montreal headquarters of Cirque du Soleil, each moulded from a performer's face and skull. This morgue-like inventory is just one part of the Cirque's vast costume shop, a 1,600-square-metre factory that produces a fantastic array of masks, wigs, shoes and outfits. All costumes are created from scratch, beginning with bolts of unbleached white fabric. The shop uses over 100 different kinds of cloth—ranging through more than 40,000 of its types shows in a year. The costumes are dyed, silk-screened or hand-painted, then cut and sewn on the premises. Costumes, which are washable, wear out quickly. Some scrubbers burn through one outfit per month. "It depends on the water," says Marc Fournier, the shop's director. "The water is harder in Tokyo so the washing destroys them more quickly."

As a business, the shop is a success story. Fournier surveys his staff with pride. A nine-year veteran of the Circus, he has worked for Broadway and on open productions, but has never seen an operation like this one. "I only look like an assembly line, but there is constant job rotation," he says. "People don't quit, and I think that's one of the reasons. My people



**WARDROBE ARTISTS:** A dream factory of plaster-heads, masks, wigs, sequins and more than 40,000 in of lycra a year.

are very versatile. It makes the job more fun, and we can respond to emergencies."

There is a kaleidoscopic variety of jobs in the dye room, a kaleidoscope variety of jobs on Lycra to be made into lights. At a computer screen, a dress designer adapts a bequest motif from a Renaissance painting. A woman at a heat transfer machine melts a gold pattern onto red silk. A seamstress sews a strapless for an acrobat's G-string—using 1,000-to-1600-foot fishing line. Like nearly everyone in the shop, she is working on outfits for the upcoming production at the Bellagio hotel in Las Vegas. "Because it is an aquatic show,

the costumes have to work wet or dry—including the shoes—and the performers wear a typical mix of moisture-wicking materials."

At one bench, a woman sews a skirt of gold silk that has been shrunk and crushed into a convoluted mess of wrinkles. "It takes 17 m of silk to make one skirt," she says, explaining that it will be a costume for a dead bridegroom floating in limbo. As she starts to elaborate, the Cirque's publicist looks alarmed. Details of the new Bellagio show are top secret. She quickly whisks her skirt over to a woman who is busy gluing snaky orange trousers onto a silicone skullcap—just one more day of business in the surreal masquerade that is Cirque du Soleil.

By G.J. in Montreal

# People

Edited by  
TANIA DAVIES

## Just one of the girls

**W**hen the 1998 *Lifted Fair* rolls into Ottawa on August 14, the all-female pop and folk festival will feature some unexpected chorists—country of jazz pianist and singer Diana Krall. "I'm really honored to be part of this tour," says Krall, 39, now living in New York City. And while the *Northern Soul*, active has become the darling of the jazz scene—her fourth CD, *Lane*, released last August, has sold more than 100,000 copies, the first for a female jazz artist, and last year she performed at the White House—she points out that musicians are always interested in broadening their audience. "Jazz, obviously, isn't an obvious road to pop, so it's an opportunity to reach new people. I think crossing artists from different genres is a good thing for everybody."

Krall and *Lifted Fair* organizer Sarah McLachlan met for the first time at the Grammy Awards held in New York in March, and the two performers lit it off personally and professionally. "Sarah has my record and I love her," says Krall. "I love what she does with music." When the Vancouver singer-songwriter asked Krall to join a lineup of other female musicians, including pop artists Natalie Merchant, Paula Cole, Bonnie Raitt and Sheryl Crow, Krall signed up for the Ottawa and Vancouver dates of the 57 shows on the North American tour.

McLachlan founded the festival last year as a celebration of women in music, and as a defiant reply to concert promoters who felt it was financially folly to put two female acts back-to-back. The North American tour was a huge success, becoming the top-grossing festival of the year. This summer's extravaganza kicked off in Fort Smith, Ont., on June 19, and will visit Toronto, Calgary, Edmonton and Vancouver after its Ottawa date. Less than halfway through its schedule, the tour has already sold 650,000 tickets and has surpassed last year's total of \$22 million. The tour donates \$1 from each ticket sold to a local charity. Meanwhile, Krall says that while the all-female aspect of the tour is appealing, the main reason she joined was the quality of the musical acts. "I can't wait to sit and watch the other artists. It'll be fantastic."



Krall: the jazz musician joined the all-woman *Lifted Fair* pop fest to reach new people and enjoy the music



Pak with Nappy and the Kipper Classic trophy, breaking records

## A Pak attack on tour

**A** lot of things make the 35 Pak happy these days. The South Korean golfer became the youngest player to win the McGowan's LPGA Championship in May. Then, she triumphed at the Junior PGA Classic on July 12 with the lowest LPGA tournament score ever—20 under 281 for 72 holes. Going into last weekend's play, she led the LPGA money list with \$665,000 in earnings. And she is only 20 years old. "I have many, many years left," she says. "I can play in many, many tournaments."

Pak is definitely this season's rookie phenom, the would-be 21-year-old Tiger Woods. But unlike Woods, who began playing as a toddler, Pak started golfing only six years ago. She turned professional in 1996 and qualified for the LPGA Tour on her first attempt a year later. After moving to Orlando, Fla., she joined the women's tour this year.

Pak's opening appearance at the de Munnier Classic at the Essex Golf and Country Club in Windsor, Ont., from July 30 to Aug. 2, has club-members excited. "She is the hottest thing in golf," says general manager Donald Luss, who is busy fielding calls from international journalists. Meanwhile, Luss says, Pak doesn't have to worry about her league pay. Happy, which travels with her. The Essex club is one of the few tournament spots that often get over.



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EXCELLENCE



Browse the Internet: a valuable health resource—and the source of much bad advice

## Browser beware

I was bad enough that Sharon Jackson's son had an extremely rare condition. But what unnerved the Edmonton mother most was the doctor's admission that she knew little about it. For several months, specialists had puzzled over the mysterious lump on her 13-year-old's neck. Then, in April, tests revealed that the swelling was caused by a virulent bacteria. "The infectious disease specialist did know that surgery was necessary to remove the bacteria," recalls Jackson, "but I was very concerned because she wanted it done so quickly that she seemed so uncertain." It was a risky operation that could leave the boy with facial disfigurement. That night a worried Jackson logged on to the Internet. Within 30 minutes, she found three or four articles from medical journals that supported the treatment recommended by her doctor. Reassured, the 35-year-old accountant took her son to a surgeon the following day. "He couldn't find any reference to the bug in any of his medical journals," says Jackson. "He was amazed I'd been able to find any reference to it on the Net."

Consumers like Jackson are discovering that, with a few clicks of a mouse, they can retrieve medical information that, just a few years ago, was available only to doctors. It's a phenomenon that could transform the health-care system. In the past year or so, an estimated hundreds of thousands of Canadians have begun surfing the Net to learn about medical matters, to participate in on-

line support groups for health conditions, to order prescription drugs from "cyberhangar pharmacies," and to consult doctors in 24-hour virtual clinics. "Used correctly, the Internet is a marvelous resource that will help Canadians take care of themselves," says Jim Carroll, co-author of *Good Health Online*, a Canadian guide to medicine on the Internet. But even fans worry that the Internet may not be entirely benign. "I'd like to believe that the Internet is going to revolutionize

health care, empower the patient and save us money," says Dr. Karen Breck, a Montreal physician and creator of WebDoctor, an Internet site for physicians. "But, unfortunately, that is not the reality—the Internet has problems."

The Internet is a virtual medical library, but one with out-of-order or standard—just a random accumulation of information. Anyone with a computer can post medical information. And almost everyone does: hospitals, associations, pharmaceutical companies, researchers, alternative practitioners, government bureaus, advocacy groups, consumer and scientific publications—as well as quacks and fraud artists. Last fall, in a one-day sweep, a U.S. government agency found more than 400 Web sites containing false or deceptive advertising claims for treatment of heart disease, cancer, AIDS and other illnesses. Even

provable superstitions like errors. One study found that a pediatric journal posted incorrect advice on how to deal with fever in children. And even doctors say they cannot always distinguish between authentic science and snake oil. "There are a lot of Web sites that I didn't figure out were consumer scams until the end," says Breck. "And when you are ill you are vulnerable."

An increasing number of patients are turning up in their doctors' offices with computer printouts. "Most family physicians I meet in my travels across the country have encountered patients who pick up information from the Internet," says Dr. Peter Newbery, a family physician in Hamilton, Ont., and president-elect of the College of Family Physicians of Canada. "Often the information has been misinterpreted or has raised inappropriate emotions."

Some patients use the Net for self-diagnosis and self-treatment. It is not uncommon, doctors say, for a patient to demand X-rays or a drug or even admission to hospital based on what they have read on the Internet. Breck says some patients have challenged her diagnosis after surfing the Net. "The person goes home, clicks into a medical Web site, checks the symptoms and comes back and says, 'You know, doc, I could have a heart failure or a hemorrhage. Please don't treat that.' It says here you can tell if I have those things if I have a CAT scan."

Also a concern are patients who bypass the health-care system altogether, relying instead on a "cure" recommended on the Internet or the advice of a cyberdoctor who has not examined the patient. "The suggestion that a physician can make a diagnosis and prescribe over the Internet is ludicrous," says Newbery. "The physician is not taking real responsibility for the patient, and the patient is putting himself at risk."

But even critics like Newbery believe the Internet has "transformed patients" into empowered health care in Canada.

"With appropriate support, patients with access to the Internet can check physicians' information and can feel in control," he says, adding that the current problems are "all part of learning how to use the Internet." Last year, U.S. health officials set up a Web site with guidelines to help consumers evaluate on-line medical information. There are calls for similar programs in Canada.

In the meantime, Susan Marney, a medical librarian who handles dozens of calls to the Toronto Reference Library's province-wide health hotline, advises Net surfers to "never rely on one source and always talk to a health professional before you make changes." In the medical cornfield of cyberspace, it's a case of browser beware.

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**SAVING PRIVATE RYAN**  
Directed by Steven Spielberg

**A**s Hollywood's most powerful citizen, and the most successful filmmaker of all time, Steven Spielberg has arrived at a strategic sense of his own importance. The man who re-created the nation's blockbuster with *Jaws* (1974) seems increasingly torn between a mandate to make entertainment and a desire to remake history. In the 1990s, the director's career has hinged between monster movies and movies about monstrous atrocities—from the disaster zone of *Jurassic Park* to the death camps of *Schindler's List*, from the cyber no-man's-land of *The Lost World* to the shocked slaves of *Amistad*. But with *Saving Private Ryan*, a monumental war epic, Spielberg has reconciled his two forms—high adventure and high moral drama—as never before.

*Saving Private Ryan* is an action movie for adults. It presents what may be the most visceral, graphically violent portrayal of battlefield courage ever filmed. And it shows Spielberg at the peak of his powers, unleashing images that convey the hell of war with what appears to be devastating authority. Like *Schindler's List*, this is a tale of tragic sacrifice, framed by an elegiac memorial to the dead that the event remembers—D-Day's Normandy invasion—is the big show, weeks away from the hidden nightmare of the camps. And thus, like the story is fiction. Unconcerned by historical correctness—or by the delicate business of dramatizing genocide—Spielberg is free to call on all his strengths as a storyteller. He also overcomes his worst weaknesses. After the disturbing beauty of *Schindler's List* and the sentimental gloom of *Amistad*, he has finally made a "dirty" movie. There is



Scene from *Saving Private Ryan*. Hanks (left): the most visceral portrayal of battlefield carnage ever filmed

## A private world war

nothing pretty about *Saving Private Ryan*.

The first half hour unfolds as a relentless and horrific re-enactment of the botched invasion of Omaha Beach on D-Day. As terrified soldiers wade into machine-gun fire, hand-held cameras show bodies being ripped apart, men in flames, legs being blown off, a man watching his comrades spill into the sea. The battlefield camera moves like a scared participant in the action, blood splattering the lens. And there are grisly atrocities when the din of gunfire falls silent and Spielberg takes the camera under water—shells of iron—to watch bodies sink, bleeding into the sea.

A story emerges: A U.S. general learns that an Iowa lieutenant has lost three of his four sons in action. The surviving brother—Pvt. Ryan—is still alive, some where behind enemy lines in France, amidst general waste and blood. The order comes down to Capt. John Miller (Tom Hanks), who has finally secured a beachhead at Omaha. Respectfully, he leads a squad of seven men as a dangerous mission to find Pvt. Ryan—all of them wondering what makes Ryan's life more valuable than theirs.

Showing more dramatic depth than ever before, Hanks submerges his everyman persona into the role of an embittered soldier struggling to preserve his decency. Backing him up are some strong character actors in classic combat roles: Tom Sizemore as

the loyal Surge, Edward Burns as a Brooklyn cynic, Canadian Barry Pepper as a Bible-quoting Tennessee sharpshooter, and Jeremy Davis as a bookish translator frozen by fear. The only star aside from Hanks (and Ted Danson, who plays the small but pivotal role of Ryan; Danson was cast before *Good Will Hunting* made him famous, and while his star power adds incense value, it detracts from the unknown soldier quality of his character).

But such distinctions are rare. Working from a single yet powerful script by Robert Rodat, Spielberg directs with an unflinching realism—highlighted by a photographic technique that rates the color and shapes the grain. The action covers the full emotion of spectrum of combat—panic, despair, rage, absurdity, selfless vengeance. But for all the images of what Ryan and his men do to find the most affecting scene is an opening sequence: two soldiers locked in hand-to-hand combat; their ammunition spent, until one man holds the other down and, nothing has like a baby, slowly eases a knife into his chest.

Some may consider the film's violence pornographic. But making it palatable would be truly obscene. There is no glory in the killing. And although there is tremendous combat and suspense, the film's never seems gratuitous. The history makes itself felt. By taking on the Second World War—the human tragedy of the 20th century—Spielberg has made his millennium epic, a war movie to end all war movies.

**FILM**



Brian D. Johnson

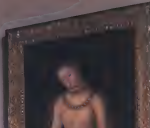
# On the trail of looted art

BY NOME MORRIS

More than a decade ago, Toronto lawyer Aaron Milrod received an unwitting visit. Aaron claiming to be a relative of the Polish underground said his group had carried out a postwar revenge murder of a Nazi general in East Germany, and had found a Rubens oil painting hidden in a rolled carpet under his bed. The Pole, who had lost an arm and an eye during the war, said he'd been recruited for hire and plundered, transported to Canada with the 80-cm-by-90-cm portrait, which may well have been looted by the Nazis during their push through eastern Europe. Now, he wanted to know how to go about selling it. Milrod showed a photograph of the work to a York University art history professor who, in late 1994, had identified it as one that had hung in his husband's office at the Prager Museum before the war. Under Canadian law, the painting would probably have to be repatriated. "When I told this fellow the work was stolen and he would have to deal with that, he seemed disappointed," Milrod said of his Polish visitor. "I could never locate him again."

Milrod cannot help thinking of that Rubens as a series of high-profile legal claims a fleeing commissioner and critics around the world, including Canada, is re-examining their collections. Art that went missing during and after the war—much of it stolen from Jews who were sent to their deaths or from the museums of occupied states. But the Nazis were not the only plunderers. Paradoxically, the largest claim now pending involves Berlin's effort to recover more than a million works that Russian soldiers transported as victors' booty after Hitler surrendered (page 51).

As in the case of the Rubens, which lawyer Milrod saw only in a photograph, the emerging history—known in the art world as provenance—of European works during the turbulence of the 1930s



and '40s is often murky. But now, 50 years after the war, potential buyers, along with art critics, are assessing the paper trail—as well as nation houses such as Sotheby's and Christie's—of feebly denying not to know too deeply.

Currently, two factors—the declassification of Allied documents and the rise of electronic information sharing—are sparking a reevaluation of some works that changed hands during the war. While Europe has been the main focus of scrutiny, Canada and other art-importing countries are also affected. "Most of the museums in North America know full well they have items with questionable backgrounds," says Milrod, who just completed a book on international law governing precious objects.

The Montreal Museum of Fine Arts, for one, hesitated to defend itself publicly against a claim by the state museum in Budapest for an oil painting by 16th-century Florentine artist Giorgio Vasari, which was purchased by the Montreal gallery 15 years

ago. Museum directors are scrambling to come up with policies to deal with the looted art—the North American association issued new guidelines just last month—and some worry a Pandora's box has been opened that will cast doubt on the ownership of objects collected from all over the world. That the WJC's Lowenthal insists the drive to right Nazi wrongs cannot be lumped together with current efforts by developing countries and North American states, for instance, to reclaim archeological and cultural artifacts from Western museums. That issue, says Lowenthal, has arisen as Western society becomes more sensitive to its past treatment of other cultures and to the appropriate display of ethnological material. Nazi-looted art is unique, she says, because the works were often confiscated immediately before individuals were deported or sent to their deaths. "It was a war crime at Nuremberg," she says. "It was illegal at the time it happened. It is not just a matter of looking back from today's point of view and saying, 'Oh, gee, wasn't that bad?'"



## Controversy dogs treasures plundered by the Nazis

Christie's  
Vaux with Johnson  
at National Gallery  
(left); and Aaron  
Milrod discovered in  
1945 surprise

after the war. In the United States, there have been at least 20 instances of contested ownership in the past five years, culminating in January, when the Metropolitan Museum of Art's board of trustees voted to return a painting by Rembrandt to the heirs of a Jewish collector.

"I think the story is going to grow," says Constance Lowenthal, director of a Committee for Art Recovery set up in January by the World Jewish Congress. Under the leadership of Edgar Bronfman Sr., that organization has had considerable success in forcing Swiss banks to pay restitution for the money they pocketed from unclaimed bank accounts. Lowenthal says that more than 50 people have already called her about missing art—some through her sister phone number has yet to be listed. "Once we announce we're here, we'll be inundated," she said.

After the war, an American commission attempted to restore thousands of the works to the people and countries the Nazis had stolen. French authorities then returned 45,000 works of art to their owners and auctioned off about 13,000 others. But 2,047 valuable unclaimed works—including 15 Botticelli sculptures and 16 Rembrandt paintings—quietly resurfaced in state collections, many of them unseen until last year when public pressure led to several exhibitions in the hope that heirs would come forward. In late 1998, after years of pressure by art journalists, Austria held on

Häber, who had been refused admission to art school in Austria, was determined to collect Europe's greatest art for a Fuhrer Museum he planned to build in his birthplace of Linz, Austria. "The paintings I have collected were never meant for my private enjoyment but always for a gallery to be built in my native Linz," he wrote in his last will and testament, signed in a Berlin bunker in 1945. To stock the future gallery—as well as the private collections of foreign ministers Joachim von Ribbentrop and air force chief Hermann Göring—the Nazis followed Napoleon's example and stole their way through Europe, storing thousands of works in salt mines and castles in eastern Germany and Russia, with the expectation of retrieving them

artists of architecture that had resorted to its state museums, and donated the proceeds to the country's remaining Jewish community and other victims of Nazism. "After the war, we had owners in search of their paintings, now we have paintings in search of their owners," says Hector Polanco, a Philadelphia journalist who tracked some of the hundreds of stolen French works in his 1990 book *The Last Museum*. That text, along with American historian Lynn Nicholas's 1994 book *The Rape of Europe*, sparked much of the new investigation. Fellow researchers there are 25,000 objects on Nazi collection lists whose locations remain unknown. They are believed to be in museums and private collections from Seattle to Buenos Aires.

Canadian artist Mira Freidel says public awareness of the Nazi looted art has skyrocketed in the last years since she began to explore the issue while as an artist-in-residence at Vienna's Academy of Fine Arts. "Even in 1994, raising the provenance question made people uncomfortable," she says. "But now it is being aired more fully." Freidel has produced a video art installation on the subject titled *Body Museum*, which was first mounted in Paris. Its related Internet Web site has spawned queries from around the world, placing her at the head of the global effort to expose missing works. "A member of my family who had an important collection of painting and sculpture died in Auschwitz," writes an e-mail correspondent, wondering where to start to look for it.

There have, as yet, been no published claims by Holocaust survivors in Canada. But that does not mean there was looted art in circulation. "For sure, you have art in Canada that the Nazis stole," says Dutch journalist Peter den Hollander, who is writing a book about nearly 1,200 still unaccounted pieces from the collection of Jacques Gouda, a Jewish dealer who fled Amsterdam in 1940. Prior to 1924, Gouda's father had owned Leica Crumach's 16th-century oil *Wine*, which has been hanging at the National Gallery in Ottawa since 1952. About a year ago, the gallery's European art curator, Catherine Johnston, got a surprise while watching a television documentary in muted black and white footage of "our Crumach" being pulled from Nazi packing crates after the fall of Berlin. Gouda's father had written the painting to Dutch art dealer Ernst Frenkel, who apparently sold it against his will to Göring in 1940. The [Frenkel] managed to recover the painting after the war," says Johnston, adding, "Of course, we don't have the papers." Frenkel then sold the painting to another Dutch dealer, she says, who sold it to the National Gallery in 1952—complete with proper papers.

The National Gallery carried out an aggressive acquisition of European art during the postwar period, some of which Canadian public funds had been frozen in the Netherlands during the war. Johnston says the Gallery did an exhaustive probe of its collection to produce a catalogue that was published in 1987. "We did look at the provenance of all our works, looking for gaps," she says. "We didn't find anything." But she does acknowledge that the nature of the art world often makes it impossible to have complete documentation. "Whenever we buy something we try to make sure it was not obtained illegally," she says. "But sales between dealers are a problem." Journalist Frederick says Canadians may well have ignorantly purchased works from reputed stolen houses after the war that are only now being questioned. "We double-check," says Johnston. "You only have so much information at your disposal."

The most contentious issue in Canada is the Budapest Museum of



■ *Jewish Menagerie Field at Czestochowa*: the Budapest Museum claims the Montreal painting

Flac Arts' request that the Montreal Museum of Fine Arts hand over Visser's small oil painting of Jews turning water into wine. Part of the renowned Hungarian collection amassed by a provincial family of the Austro-Hungarian empire, the *Moving Feast at Czestochowa* now worth an estimated half-billion dollars. It was acquired by the Budapest museum in 1870 and was well-dispatched until being lent to the Hungarian Ministry of Finance, before the ministry's building was bombed in 1944. Museum spokesmen say they believed the work had been destroyed, but a Hungarian collector apparently bought it for the equivalent of \$100 from a storefront commission store in 1951. He gave it to his daughter in Canada who, in turn, sold it for \$2,000 to the Museum of Fine Arts. The Budapest museum has been trying sporadically to get the painting back ever since officials there saw it listed among the Montreal museum's new acquisitions in 1994. In 1993, after the fall of Hungary's communist regime, the Montreal museum offered a co-ownership arrangement, but officials in Budapest turned that down.

The Montreal museum, which says it has a Hungarian photo receipt for the painting, takes the position that the Nazis was intentionally forced to take by the Hungarian state. "It was the government in power at the time," says spokesman Maurice Brodeur. "You can't rewrite history. It wasn't forced. It was assumed." But Andrew Miers, a Canadian lawyer representing the Budapest museum, says the Hungarian government did not even know the painting still existed at the time of its sale. Besides, says Miers, the painting left the country without the

necessary permit for the export of pre-20th-century works. "It was a state-run shop like every butcher shop, every grocery shop," says Miers. "That was communism. It shows a remarkable lack of understanding of this era to claim it was a government commission store."

In Toronto, by contrast, the Art Gallery of Ontario retained five 19th-century Russian drawings to Berlin, before that city's museum authorities even knew where to look for them. When he was installed as the gallery's director in September, 1993, Maxwell Anderson brought in outside experts to examine parts of the 20,000 object collection, especially those acquired from Europe since the 1930s. "I was very clear that I wanted it meticulously researched," he says. So, art technicians spotted that scraps showing the five drawings were part of the valuable Proch collection and had some have been removed from Berlin after the war, possibly by a U.S. army officer. In 1996, Anderson sent the drawings to the Berlin state collection—which oversees 37 individual museums.

Anderson, who is on the board of the New York City-based Association of Art Museum Directors, which covers Canada as well, says 80 per cent of acquisitions came through donations and bequests, which makes an in-situ ownership record difficult to ensure. "The good

faith purchaser may have been misled. The donor may have been co-trapped," says Anderson. "None of us wants to be caught in a lie." While he is scrupulous about Second World War art, Anderson says repatriation should be limited to works looted this century. "The idea that the issue should be opened up beyond the Holocaust will not survive scrutiny," he says. "It will start pointing this out to its greatest extent, the Louvre would be empty—in still in the British Museum—and we would no longer be engaged in the cure of care, but in national politics."

With the rights in cultural objects interpreted differently by the courts of different nations—or, in Canada's case, by various fallacies—the issue of what belongs where is destined to be governed more by moral stance and bilateral politics than by international law. Canada is one of the few Western countries to have signed a UNESCO treaty to repatriate illegally acquired works. But even that law only covers art that an owner in good faith believed would be used to effect loss in 1978. The AGO's Anderson, along with artist Frenkel and increasing numbers of people delving into the mist, says the best solution for some disputed works may be to redo accompanying plaques as historic markers that have accompanied particular works as their journey are given their due. As Frenkel notes, as museum in the world is truly clean. □



## PLUNDERED AS GERMANY FELL

■ *Van Gogh's Landscape with House and Flagman*, now in St. Petersburg: Russians want to keep other art as war reparations

When it came to cultural plunder during and after the Second World War, the Nazis were not the only offenders. The Red Army, in fact, dispatched special brigades to loot as much treasure as they could from Germany between the spring of 1945 and the fall of 1948. Fifty years later, in the southern German city of Ravensburg, 80-year-old Hella Törke was packing up to move when she came across two 17th-century paintings well protected in a suitcase she had tucked away in a linen closet years earlier, because the pictures were not to her taste. She knew that Soviet soldiers had given them to her mother, and she took them back to a Dresden

gallery, 600 km away in eastern Germany. From April until last week, the two small paintings were on display with 200 others in an exhibition of retrieved art from Dresden. In all, the Soviets took some 2.5 million works of art and another 10 million books and manuscripts from Germany—including rare Gutenberg Bibles. Moscow did return about 1.5 million items to its ally East Germany in the 1950s. But the rest was kept a closely guarded secret until the collapse of communism in 1990. When Russian experts subsequently acknowledged the existence of hundreds of lost works, Germanys launched an effort to recover them.

It has had some success in negotiating with several other post-communist countries where occupying Nazi forces had left. Poland, which ended up with original master manuscripts of composers Beethoven and Mendelssohn, has agreed in principle to return those and other German historical artifacts, but few have yet arrived. Two movements of Beethoven's 8th Symphony are in Berlin, but two others are still in a Krakow library. The former Soviet state of Armenia sent 575 historical texts back to Germany in May, including medieval theological writings and the full text of an autobiographical church music by Bach's youngest son, Johann Christoph. But such efforts pale next to Berlin's

claim against Moscow, which is posing cultural relations between the two European powers. Against international norms, Russia's highest court has upheld a law passed in 1997 to let anyone the German-owned art, justifying it as reparations for damage the country suffered during the war. President Boris Yeltsin says he wants to return the cultural legacy, but has been stymied by the Communist-dominated Duma. To Germany's dismay, St. Petersburg's Hermitage and Moscow's Pushkin museums have been acquiring some of the stolen works since 1993—mostly from Rembrandt, Rubens, Goya, Van Gogh, Monet, Degas, Cézanne, Gauguin, and Toulouse-Lautrec, among others. But with the war now five decades in the past, most of the world is on Germany's side. Stalin art is stolen art, say legal experts, and giving it back has become the culturally correct thing to do.

It might help Germany's negotiating position if it could offer the celebrated Arctic Bear in return. That procures, well-liked seal was a gift of the Prussian King Friedrich III to Czar Peter the Great, only to be stolen in 1941. In 1941, the Nazis dismantled it and shipped it in 27 crates from Leningrad to a castle on the border of Lithuania and Poland. It went missing at the end of the war, and only a mosaic and a chest have surfaced since. But the rest of that great treasure, and a trove of German art in Russia, remain a thorny issue half a century after the war.

N.M., with KAREN MCKEL, AMMUT in Berlin



# Peter C. Newman

## The death of the Canadian dollar

**H**ow delighted to have a prime minister who doesn't care about the state of his country's currency. In Japan, politicians are consulting career bankers as they watch the yen sink into oblivion, but Jean Chrétien's response is don't worry, be happy—the Canadian dollar is great for the tourists' trade.

That's all we get, and it's not enough. The clear and present danger is not how low the Canadian dollar goes—but how long will the Canadian dollar last.

Squeezed between the new and powerful euro currency and the still mighty American dollar, can Canada's relatively minor currency survive as a meaningful means of exchange? No responsible politician wants to deal with the issue, but the answer is probably no.

Throughout recorded history, no one imagined that the European nations, which created civilization and dominated most of the economic events of the past century and more, would ever surrender their sovereignty and join together in a common currency that ends control over their individual economic destinies.

The details are different but the thrust is the same: just as Europe has marched from a free-trade area to a common market to economic union, and now a common currency, North America will be forced to go through a similar process. Most Europeans didn't want or intend to go this far, but they were driven ever onward because each step for them they took was required to make the last one work. Thus, from the very early beginnings of a European Coal and Steel Community, which included only Belgium, Luxembourg, the Netherlands, Italy, West Germany and France in a two-industry shared market, 46 years later, the Europeans have had to give up their individual currencies, which is the ultimate sacrifice because it means you've lost control of your monetary and most of your fiscal policies.

The process is called globalization and it will be the great unifying force of the 21st century. Take it or not, we won't escape its consequences.

The Canadian dollar will not disappear this year or even this century, but so its value plunges its long-term existence is increasingly in jeopardy.

These critics of the Bank of Canada who insist that it is time for Gordon Thomson to step in and halt the hemorrhage are right in their sentiment (which is that something must be done to stop the drop in our standard of living) but not in their prescription. The Bank of Canada doesn't have enough reserves to defend the currency, and simply increased interest rates would only push us into a recession. "If you prevent the dollar from falling," points out Stanley Klett, a former deputy minister of finance who is now chairman of the

Canadian operations of Salomon Smith Barney, "you're preventing it from accounting for Canada's lower productivity and lower interest rates. I am not disturbed by the tradeoff. And I would never go for a pegged dollar because it's like covering up a wound and preventing any treatment from getting at it."

It's a great irony that Canadians became so excited about Brian Mulroney's Free Trade Agreement with the United States, but only proved when he signed the North American Free Trade Agreement, an act which is proving to have much more profound consequences. (My own theory why Canadians ignored NAFTA is that they thought it was something you peer into long as at the cottage, so what was the point of getting excited?)

But the parallel holds. There are many barriers to free trade under NAFTA that might be eliminated if Canada, the United States and Mexico had the same social and economic policies. That push will come first, and after that the pressure will mount for either a one-currency continent (to compete with the euro) or a slightly diluted option which would see the Canadian dollar pegged to the American dollar. We already tried that in 1962, at 92.5 cents, which proved a no-workable idea; it was abandoned eight years later.

"I believe that the euro will very quickly become an alternative to U.S. dollars for nations at reserves and if that happens, much will change," predicts Scott Paterson, president of Jordan Securities, who says there will be an equity boom for a Europe where investors need take no currency risks. "That could erode our market, that will have a real effect on currencies, and Canada will be under enormous pressure. We will then have the choice of keeping a Canadian dollar that narrows American monetary policies, or to abandon the Canadian dollar in favor of a North American currency. In fact, smart currency traders around the world are already discounting the effect of the euro on the Canadian dollar, which is one reason it has gone down so much."

If all of this sounds unlikely, think of how prophetic it was when Jean Monnet, the French statesman, first proposed a united Europe in 1940. To leave France and Britain, in such less than ideal circumstances, in the European currency agreement, voluntarily give up their economic sovereignty was an impossible dream—or nightmare. And yet it happened.

The Canadian dollar will disappear in our lifetime. When it does, I hope somebody remembers that wonderful line from the NSP MSP Michael Cassidy who once told the House of Commons in Ottawa during a trade debate: "We are held back because of irresponsible decisions made in foreign boardrooms—decisions which should be made right here in Canada." Perhaps it's time for Jean Chrétien to get worried about the situation and save the Canadian dollar. As he likes to say—"the better, the sooner."

**Jean Chrétien says don't worry, be happy. But the real question is whether the loonie can survive as a world currency.**

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